

## REGULATORY ACCOUNTS

### 1. INTRODUCTION

The purpose of this Exhibit is to provide a description of Hydro One Distribution's regulatory accounts.

All of the regulatory accounts reported by Hydro One Distribution have been established consistent with the Ontario Energy Board's ("the Board") requirements as set out in the Accounting Procedures Handbook, subsequent Board direction, or as per specific requests initiated by Hydro One Distribution.

Hydro One Distribution's outstanding regulatory account balances are summarized in Table 1. Hydro One Distribution has not made any adjustments to regulatory account balances that were previously approved by the Board on a final basis.

**Table 1: Summary of Regulatory Accounts Balances Outstanding (\$ Millions)**

| Description                      | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec. 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance as<br>at Dec. 31,<br>2016 | Forecast<br>Balance as<br>at Dec. 31,<br>2017 |
|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|---|
| <b>Total Regulatory Accounts</b> | (46.8)*                              | 19.2                                 | 84.2                                 | 63.5  | 66.8  |

*\*Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million.*

The forecast interest for 2017 is calculated by applying simple interest on the forecast December 31, 2016, year-end balance using the Board's prescribed 4<sup>th</sup> quarter interest rate of 1.1%, as per the Bankers' Acceptances three-month rate plus a spread of 25 basis points. This is consistent with the Board's methodology on prescribing interest rates for the approved regulatory accounts under the Uniform System of Accounts for natural gas utilities and electricity distributors (EB-2006-0117).

Witness: Samir Chhelavda

1 Information on each regulatory account and its balance is further described in detail in  
2 Section 2.0 of this Exhibit; with a complete continuity schedule provided in Attachment 1  
3 and a schedule of account balances provided in Attachment 2 of this Exhibit. Further  
4 details on the regulatory accounts are provided in subsequent Exhibits:

- 5
- 6 • Exhibit F1, Tab 2, Schedule 1: Planned Disposition of Regulatory Accounts; and
  - 7 • Exhibit F1, Tab 3, Schedule 1: Regulatory Accounts Requested.
- 8

9 **2. REGULATORY ACCOUNTS**

10

11 A list of Hydro One Distribution's regulatory accounts and associated balances is  
12 provided in Table 2.

1

**Table 2: Regulatory Accounts (\$ Millions)**

| Description   | US of A<br>Account<br>Ref. | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec. 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|---|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---|---|
| <b>Regulatory Accounts Seeking Continuance and Disposition</b>                      |                            |                                      |                                      |                                      |   |   |
| Retail Settlement Variance Accounts   | 1550 to<br>1589            | (35.6)                               | 7.1                                  | 112.7                                | 113.9   | 115.1   |
| Retail Cost Variance Accounts   | 1518/<br>1548              | 1.0                                  | 0.7                                  | 0.0                                  | 0.0   | 0.0   |
| Pension Cost Differential Account   | 1508                       | 59.3                                 | 78.9                                 | 23.0                                 | 8.0   | 8.0   |
| Tax Rate Changes Account  | 1592                       | (17.5)                               | (21.9)                               | (4.3)                                | (4.4)   | (4.4)   |
| OEB Cost Differential Account   | 1508                       | 0.0                                  | 0.0                                  | 0.0                                  | (1.3)   | (1.3)   |
| Smart Meter Entity Charge Variance Account  | 1551                       | 0.7                                  | 0.5                                  | 0.3                                  | 0.3   | 0.3   |
| <b>Regulatory Accounts Seeking Disposition Only</b>                                 |                            |                                      |                                      |                                      |   |   |
| Revenue Offset Difference Account – Pole Attachment Charge                          | 1508                       | 0.0                                  | 0.0                                  | 0.0                                  | (2.3)   | (2.3)   |
| Bill Impact Mitigation Variance Account   | 1508                       | 0.0                                  | 0.0                                  | 1.8                                  | 2.3   | 2.4   |
| Microfit Connection Charge Variance Account   | 1508                       | (1.6)                                | (2.4)                                | (0.8)                                | (0.8)   | (0.8)   |
| Distribution Generation – Other Costs – HONI - Variance Account                     | 1533                       | (1.2)                                | (0.6)                                | 0.6                                  | 0.6   | 0.6   |
| Smart Grid Variance Account   | 1536                       | (1.1)                                | (12.8)                               | (11.9)                               | (12.0)  | (12.1)  |
| Distribution System Code (DSC) Exemption Deferral Account                           | 1508                       | 6.6                                  | 16.0                                 | 9.5                                  | 9.6   | 9.7   |
| <b>Total Regulatory Accounts for Disposition</b>                                    |                            | <b>10.7</b>                          | <b>65.5</b>                          | <b>131.0</b>                         | <b>114.1</b>                                  | <b>115.3</b>                                  |
| <b>Regulatory Accounts Not Seeking Disposition</b>                                  |                            |                                      |                                      |                                      |   |   |
| RRRP  | 1508                       | 2.3                                  | 1.2                                  | (1.8)                                | 0.0   | 0.0   |
| Distribution Generation – Other Costs – Provincial - Variance Account               | 1533                       | (48.1)                               | (64.0)                               | (60.5)                               | (53.0)  | (43.6)  |
| Distribution Generation – Express Feeders – Provincial – Variance Account           | 1533                       | (3.6)                                | (4.8)                                | (4.9)                                | (4.9)   | (4.9)   |
| Rider 2015 to 2017 – Disposition and Recovery of Regulatory Balances (OEB Approved) | 1595                       | 0.0                                  | 0.0                                  | 20.4                                 | 7.2   | 0.0   |
| Revenue Difference Account – Pole Attachment Charge                                 | 1508                       | 0.0                                  | 0.0                                  | 0.0                                  | 0.0   | 0.0   |
| Others  |                            | (8.1)                                | 21.3                                 | 0.0                                  | 0.0   | 0.0   |
| <b>Total Regulatory Accounts Not Seeking Disposition</b>                            |                            | <b>(57.5)</b>                        | <b>(46.3)</b>                        | <b>(46.9)</b>                        | <b>(50.7)</b>                                 | <b>(48.5)</b>                                 |
| <b>Total Regulatory Accounts</b>  |                            | <b>(46.8)*</b>                       | <b>19.2</b>                          | <b>84.2</b>                          | <b>63.5</b>                                   | <b>66.8</b>                                   |

2 \*Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million.

3

Witness: Samir Chhelavda

1 A detailed description of each of these regulatory accounts is provided in the following  
2 sections. For each account discussed below, simple interest is applied to the monthly  
3 opening principal balance in this account according to the Board-prescribed interest rate.  
4 Each account is reported to the Board on an annual basis consistent with the Board's  
5 Reporting and Record Keeping Requirements.

6  
7 The balance of each account is a forecast amount at December 31, 2016, inclusive of  
8 interest accrued. Interest improvement has then been forecast on the principal balance to  
9 the end of December 31, 2017. Hydro One expects that the Board's final decision on its  
10 approval of these accounts will be based on the audited 2016 year-end balances which  
11 Hydro One will provide when available.

12  
13 **2.1 REGULATORY ACCOUNTS SEEKING CONTINUANCE AND**  
14 **DISPOSITION**

15  
16 **2.1.1 RETAIL SETTLEMENT VARIANCE ACCOUNTS ("RSVAS")**

17  
18 The RSVAs have been established pursuant to Article 490, which requires all distributors  
19 establish such accounts to record the differences between the amounts owed to the IESO /  
20 host distributors and the amount billed to customers and retailers.

21  
22 The RSVAs were previously reviewed and approved by the Board in RP-2004-  
23 0117/0118, RP-2005-0020/EB-2005-0378, EB-2007-0681, EB-2009-0096 and EB-2012-  
24 0136. The Board approved the disposition of the 2013 audited RSVA balance over a  
25 three-year period in its EB-2013-0416 Decision respecting 2015 distribution rates. The  
26 balance of commodity accounts (1588 & 1589) has been filed with the Board on a  
27 quarterly basis, and the balance of the other RSVAs is filed with the Board annually per  
28 the Electricity Reporting and Record Keeping Requirements.

Witness: Samir Chhelavda

The balance in Hydro One Distribution's Retail Settlement Variance Accounts is summarized in Table 3.

**Table 3: Retail Settlement Variance Accounts (RSVAs) (\$ Millions)**

| Description                                | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Low Voltage Variance Account               | 1550                    | 3.9                                  | 5.9                                 | 4.5                                  | 4.6   | 4.6   |
| Wholesale Market Service Charge            | 1580                    | (72.1)                               | (88.7)                              | (50.3)                               | (50.8)  | (51.4)  |
| Retail Transmission Network Charge         | 1584                    | 39.2                                 | 43.1                                | 15.8                                 | 16.0  | 16.2  |
| Retail Transmission Connection Charge      | 1586                    | 16.4                                 | 29.6                                | 53.0                                 | 53.6  | 54.2  |
| Power - Sub-Account - Power                | 1588                    | (0.5)                                | 8.0                                 | 27.4                                 | 27.7  | 28.0  |
| Power - Sub-Account - Global<br>Adjustment | 1589                    | (22.4)                               | 9.2                                 | 62.2                                 | 62.9  | 63.5  |
| <b>Total RSVA</b>                          |                         | <b>(35.6)</b>                        | <b>7.1</b>                          | <b>112.7</b>                         | <b>113.9</b>                                  | <b>115.1</b>                                  |

In April 2015, as documented in the Board's letter entitled 'Accounting Guidance on Capacity Based Recovery', the IESO established a transitional initiative entitled Capacity Based Demand Response to recover the costs of the demand response market program through uplift charges under charge types 1350 and 1351. A breakdown of the balances related to wholesale market service charge is included in Table 4. Further details on the disposition of these balances are presented in Exhibit H1, Tab 3, Schedule 1.

**Table 4: RSVA – Wholesale Market Service Charge (\$ Millions)**

| Description                            | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Sub CBR Class A                        | 1580                    | N/A                                  | N/A                                 | 0.3                                  | 0.3   | 0.3   |
| Sub CBR Class B                        | 1580                    | N/A                                  | N/A                                 | 6.0                                  | 6.0   | 6.1   |
| Other                                  | 1580                    | (72.1)                               | (88.7)                              | (56.6)                               | (57.1)  | (57.8)  |
| <b>Wholesale Market Service Charge</b> |                         | <b>(72.1)</b>                        | <b>(88.7)</b>                       | <b>(50.3)</b>                        | <b>(50.8)</b>                                 | <b>(51.4)</b>                                 |

Witness: Samir Chhelavda

Hydro One Distribution does not make a profit or loss on the commodity. Hydro One Distribution matches the energy sales and the cost of power, with the difference between the two values going to the variance accounts. However for USofA reporting, the higher of energy sales or cost of power is reduced to match the other, with the difference going to the variance account. The two methods result in the same variance account balance, and the same energy sales net of cost of power. As per Section 2.9 of the OEB's Filing Requirements for Electricity Distribution Rate Applications; a reconciliation of energy sales and cost of power expense year-end balances for 2015 are provided in Table 5.

**Table 5: 2015 Energy Sales and Cost of Power Costs (\$ Millions)**

| Description                                     | Audited Financial Statements | USofA Reporting | Delta        |
|---|------------------------------|-----------------|--------------|
| <b>Cost of Power Revenue (Energy Sales)</b>     |                              |                 |              |
| Commodity                                       | 1,832.8                      | 1,814.1         | 18.7         |
| Global Adjustment (GA)                          | 711.3                        | 680.9           | 30.4         |
| Billed – Wholesale Market Service Charge (WMSC) | 92.5                         | 92.5            | 0.0          |
| Billed – Networks                               | 243.8                        | 231.6           | 12.2         |
| Billed – Connection                             | 178.7                        | 139.0           | 39.7         |
| Billed – Low Voltage                            | 2.6                          | 0.0             | 2.6          |
| <b>Total</b>                                    | <b>3,061.7</b>               | <b>2,958.0</b>  | <b>103.6</b> |
| <b>Cost of Power Costs</b>                      |                              |                 |              |
| Commodity                                       | 1,832.8                      | 1,814.1         | 18.7         |
| Global Adjustment (GA)                          | 711.3                        | 680.9           | 30.4         |
| Billed – WMSC                                   | 92.5                         | 92.5            | 0.0          |
| Billed – Networks                               | 243.8                        | 231.6           | 12.2         |
| Billed – Connection                             | 178.7                        | 139.0           | 39.7         |
| Billed – Low Voltage                            | 2.6                          | 0.0             | 2.6          |
| <b>Total</b>                                    | <b>3,061.7</b>               | <b>2,958.0</b>  | <b>103.6</b> |

Furthermore, as required by Section 2.9.5.1 of the OEB's Filing Requirements for Electricity Distribution Rate Applications, a distributor must also provide support of its Global Adjustment ("GA") claims with a description of its settlement process with the IESO. These requirements are addressed below.

Witness: Samir Chhelavda

1 **Method of Global Adjustment Invoicing:**

2 Hydro One Distribution uses the customer specific pre-defined Peak Demand Factor  
3 applied to the IESO invoiced Class A GA amount to invoice all Class A customers.  
4 Hydro One Distribution uses the first estimate of the GA rate published by the IESO to  
5 invoice all applicable Class B customers who pay the Hourly Ontario Energy Price (also  
6 referred to as Spot or Market Price) or customers who have signed a retail contract.  
7 Hydro One Distribution uses the actual GA rate published by the IESO to invoice all  
8 applicable Class B embedded distributors paying the Spot price.

9  
10 **Method of Settlement with the IESO:**

11 The monthly IESO settlement is completed by the fourth business day after the month  
12 end. This entails settling two amounts associated with customers: (1) the difference  
13 between Regulated Price Plan ("RPP") pricing and Spot price for the actual invoices  
14 created during each fiscal month; and (2) the RPP Invoiced Consumption at actual GA  
15 rate. This is done for both 2-tiered rate and time-of-use rate customers. All settlement  
16 amounts are calculated automatically by the billing system which pairs the RPP customer  
17 consumption with the Spot price for each invoice.

18  
19 Hydro One Distribution uses the second estimate of GA rate published by IESO to  
20 calculate RPP GA settlement amount associated with the RPP consumption during the  
21 current fiscal month. As the actual GA rate is not available until six business days after  
22 the IESO declaration, the true-up is then calculated by using the actual GA rate and  
23 declared to the IESO in the following month.

24  
25 The monthly IESO settlements also include the embedded generation declaration for the  
26 difference between the rate paid to regulated and contracted generators and Spot price.

1 On a monthly basis, embedded distributors calculate their own RPP and generation  
2 settlement amounts and declare to the IESO through Hydro One Distribution. As a host  
3 distributor, Hydro One Distribution settles with the IESO on behalf of embedded  
4 distributors and treats it as pass through costs, in the monthly IESO settlement  
5 declaration.

6  
7 **Accounting Accrual Process:**

8 The determination of customer invoicing is based on a systemic reading of meters  
9 throughout the month for all customers. Hydro One Distribution has about 1.3 million  
10 customers and provides services across the province. As such, there are many meter  
11 reading schedules that do not coincide with the fiscal month end. At the end of each  
12 month, the customer consumption since the date of the last meter reading is estimated  
13 based on a standard SAP functionality. As a result, corresponding unbilled commodity  
14 revenue and GA revenue are recorded for accounting accrual purposes. Estimates are  
15 reversed in the following month and actual revenue is recorded based on the subsequent  
16 meter readings. The IESO settlement amounts discussed above are also estimated based  
17 on unbilled consumption for accounting accrual purposes. These accrual amounts are not  
18 included in the monthly IESO declaration. Only the settlement amounts based on the  
19 actual invoices are declared to the IESO.

20  
21 **Accounting Treatment for Global Adjustment:**

22 Hydro One Distribution allocates the Class B GA charge on the IESO invoices into RPP  
23 and non-RPP portions and incorporates these portions into accounts 1588 and 1589  
24 respectively, by using the GA charge reported on the RPP settlement with the IESO.



## 2.1.2 RETAIL COST VARIANCE ACCOUNTS (“RCVAS”)

Providing retail services to customers, as a result of the deregulated electricity market, results in the distributor having a need to recover certain retail service costs. The rates and charges used in determining these costs are set by the Board, which recognizes that the actual costs may be different in practice. In accordance with Chapter 11 of the Distribution Rate Handbook, distributors are required to establish variance accounts, for future disposition, which record the differences in these costs and revenues.

Hydro One Distribution has established RCVAs to capture the differences between the revenues collected by the distributor, based on Board-approved rates, and the actual incremental costs of providing the related services. The methodology underlying the operation of these variance accounts is given in the Accounting Procedures Handbook – Article 490.

The balance in Hydro One Distribution’s RCVAs is summarized in Table 6.

**Table 6: Retail Cost Variance Accounts (RCVAs) (\$ Millions)**

| Description   | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|---------------|-------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---|---|
| RCVA Accounts | 1518/1548               | 1.0                                 | 0.7                                 | 0.0                                  | 0.0   | 0.0   |

## 2.1.3 PENSION COST DIFFERENTIAL ACCOUNT

The Pension Cost Differential Account tracks the difference between the non-capital portion of pension cost estimates, based on actuarial assessments and other forecasts, upon which Hydro One’s distribution rate application is based, and the actual pension contributions charged to OM&A.

Witness: Samir Chhelavda

This account was previously reviewed and approved by the Board for use in EB-2009-0096 and EB-2013-0416. The balance in Hydro One Distribution's Pension Cost Differential Account is summarized in Table 7.

**Table 7: 1508 - Other Regulatory Assets – Sub Account - Pension Cost Differential**  
(\$ Millions)

| Description                          | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--------------------------------------|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Pension Cost Differential<br>Account | 1508                    | 59.3                                 | 78.9                                | 23.0                                 | 8.0   | 8.0   |

#### **2.1.4 TAX RATE CHANGES ACCOUNT**

In the Board communiqué to distributors in December 2005, and the Board's April 12, 2006 Decision with Reasons (RP-2005-0020 / EB-2005-0378) regarding Hydro One's 2006 Distribution Rates, the Board authorized the creation of an account to capture the tax impact of the following differences between the tax assumptions included in revenue requirement and actual results. This tax changes account was subsequently reviewed and approved by the Board in EB-2009-0096, EB-2012-0136, and EB-2013-0416. This account captures the following:

- Those differences that result from a legislative or regulatory change to the tax rates or rules; and
- Those differences that result from a change in, or disclosure of, a new assessing or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.

This Tax Rate Changes Account was also used to capture the savings in Provincial Sales Tax (“PST”) cost included in revenue requirement due to the introduction of flow-through Harmonized Sales Tax (“HST”) in July 2010.

The 2013 audited balance, which included amounts for both a change in the tax rate and for the savings in PST, was disposed of as part of the EB-2013-0416 rate application. An impact of \$4.4 million including interest, related to the savings in PST, is being put forward for disposition in this Application. The amount was recorded in the account in the 2014 rate year. Once this remaining PST savings amount has been disposed of, the only amounts recorded in this Tax Rate Change account on a go-forward basis will be the tax impact of the differences between the tax assumptions included in revenue requirement and actual results, which are noted above.

The balance in Hydro One Distribution’s Tax Rate Changes Account is summarized in Table 8.

**Table 8: 1592 - Tax Rate Changes Account (\$ Millions)**

| Description      | USofA Account Ref | Balance as at Dec. 31, 2013 | Balance as at Dec 31, 2014 | Balance as at Dec. 31, 2015 | Forecast Balance as at Dec. 31, 2016 | Forecast Balance as at Dec. 31, 2017 |
|------------------|-------------------|-----------------------------|----------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| Tax Rate Changes | 1592              | (3.2)                       | (3.2)                      | (0.0)                       | (0.0)                                | (0.0)                                |
| PST Savings      | 1592              | (14.3)                      | (18.7)                     | (4.3)                       | (4.4)                                | (4.4)                                |
| <b>Total</b>     |                   | <b>(17.5)</b>               | <b>(21.9)</b>              | <b>(4.3)</b>                | <b>(4.4)</b>                         | <b>(4.4)</b>                         |

Witness: Samir Chhelavda

## **2.1.5 OEB COST DIFFERENTIAL ACCOUNT**

In a letter from the Board, dated February 9, 2016, entitled “Revisions to the Ontario Energy Board Cost Assessment Model”; the Board authorized the establishment of Account 1508 ‘Other Regulatory Assets’, Sub-Account ‘OEB Cost Assessment Variance’.

The Board authorized this account to record any material differences between the annual OEB cost assessment currently approved in rates and the actual OEB cost assessment amounts charged to Hydro One Distribution that will result from the application of the new cost assessment model effective April 1, 2016.

The balance in Hydro One Distribution’s OEB Cost Differential Account is summarized in Table 9.

**Table 9: 1508 – Other Regulatory Assets – Sub Account - OEB Cost Differential Account (\$ Millions)**

| Description                   | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|-------------------------------|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| OEB Cost Differential Account | 1508                    | 0.0                                  | 0.0                                 | 0.0                                  | (1.3)   | (1.3)   |

## **2.1.6 SMART METER ENTITY ("SME") CHARGE VARIANCE ACCOUNT**

The SME Charge Variance Account was established consistent with Board direction included in the Decision issued March 28, 2013 for EB-2012-0100/EB-2012-0211. As a result of this Decision, effective May 1, 2013, the SME charge to be levied and collected by the licensed electricity distributors identified in the Board’s annual Yearbook of

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Electricity Distributors from Residential and General Service <50kW customers was \$0.79 per month, effective May 1, 2013 to October 31, 2018.

The account is used to track the difference between the monthly settlement invoice received from the IESO, including accruals, and the amount billed to the distributor's customers for the SME charge, including accruals.

The balance in Hydro One Distribution's Smart Meter Entity Charge Variance Account is summarized in Table 10.

**Table 10: 1551 – Smart Meter Entity (SME) Charge Variance Account (\$ Millions)**

| Description                                   | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|---|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Smart Meter Entity Charge<br>Variance Account | 1551                    | 0.7                                  | 0.5                                 | 0.3                                  | 0.3   | 0.3   |

## **2.2 REGULATORY ACCOUNTS SEEKING DISPOSITION ONLY**

### **2.2.1 REVENUE OFFSET DIFFERENCE ACCOUNT – POLE ATTACHMENT CHARGE**

The Revenue Offset Difference Account – Pole Attachment Charge was established consistent with Board direction in its Decision dated August 4, 2016, in EB-2015-0141.

The pole attachment charge relates to the charge Hydro One Distribution collects from cable and telecommunications companies for connecting their overhead wires to Hydro One poles.

In its Accounting Order of September 28, 2016, the Board directed Hydro One Distribution to establish a variance account effective January 1, 2015 to record the

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differences in the revenue offsets related to forecast pole attachment revenues included in rates in EB-2013-0416/EB-2015-0079 and revenue offsets based on the pole attachment charge approved by the Board in EB-2015-0141. The Board had approved distribution rate revenues based on a pole attachment charge of \$37.05 per pole per year. The final approved charge is \$41.28 per pole per year. This account is used to track this variance, including accrued interest charges based on the Board prescribed interest rates.

The balance in Hydro One Revenue Offset Difference Account – Pole Attachment Charge is summarized in Table 11.

**Table 11: 1508 – Other Regulatory Assets – Sub Account - Revenue Offset  
Difference Account - Pole Attachment Charge (\$ Millions)**

| Description   | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|---|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Revenue Offset Difference Account<br>– Pole Attachment Charge | 1508                    | 0.0                                  | 0.0                                 | 0.0                                  | (2.3)   | (2.3)   |

## **2.2.2 BILL IMPACT MITIGATION VARIANCE ACCOUNT**

As a result of the rate class review accepted by the Board in its Decision EB-2013-0416, certain customers were expected to experience significant bill impacts in 2015. As part of EB-2013-0416, Hydro One Distribution requested to use the Bill Impact Mitigation Variance Account to mitigate the adverse total impacts for specific customers affected by the review.

As part of its Decision for EB-2013-0416, the Board determined that those rate classes which experienced a bill impact in excess of 10% would qualify for rate mitigation. The costs of mitigation and related implementation costs for these customers have been

Witness: Samir Chhelavda

1 tracked in this account. Once this remaining amount has been disposed of, this Bill  
2 Impact Mitigation Variance Account will not be required to continue on a go-forward  
3 basis.

4  
5 The balance in the Hydro One Distribution's Bill Impact Mitigation Variance Account is  
6 summarized in Table 12.

7  
8 **Table 12: 1508 – Bill Impact Mitigation Variance Account (\$ Millions)**

| Description                                | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Bill Impact Mitigation<br>Variance Account | 1508                    | 0.0                                  | 0.0                                 | 1.8                                  | 2.3   | 2.4   |

9  
10 **2.2.3 MICROFIT CONNECTION CHARGE VARIANCE ACCOUNT**

11  
12 The Board established the fixed charge for micro-generators account for Hydro One  
13 Distribution in the Board's Decision of April 9, 2010 (EB-2009-0096) for 2010 and 2011  
14 distribution rates.

15  
16 This account was established province-wide, for all distributors, in EB-2009-0326 and  
17 EB-2010-0219. The rate was subsequently updated to require the recording of the  
18 collection of revenue from this monthly charge as per the Board's September 20, 2012  
19 letter to all distributors entitled "*Update to Fixed Monthly Charge for microFIT*  
20 *Generator Service Classification Board File Numbers EB-2009-0326 and EB-2010-*  
21 *0219.*".

22  
23 This account records revenue collected from the new fixed meter charge that is applied to  
24 micro-generator connections. The amounts are deferred for refunding to customers in a  
25 future period.

Witness: Samir Chhelavda

The Board in its Decision on Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account commencing in 2015. As the disposition approved in that application was based on the 2013 principal balance and accrued interest, the 2014 balance of \$0.8 million including interest is being put forward for disposition in this Application.

The balance in Hydro One Distribution's Microfit Connection Charge Variance Account is summarized in Table 13.

**Table 13: 1508 - Other Regulatory Assets – Sub Account – Microfit Connection Charge Variance Account (\$ Millions)**

| Description                                    | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Microfit Connection Charge<br>Variance Account | 1508                    | (1.6)                                | (2.4)                               | (0.8)                                | (0.8)   | (0.8)   |

#### **2.2.4 DISTRIBUTION GENERATION – HONI - VARIANCE ACCOUNT**

The Board directed Hydro One Distribution to establish deferral accounts related to the Green Energy Plan in the Board's Decision of April 9, 2010 (EB-2009-0096) for 2010 and 2011 distribution rates.

Hydro One established the Distribution Generation – HONI - Variance Account, consisting of separate sub-accounts for Distribution Generation - Express Feeders and Distribution Generation – Other Costs to record the interim funding received in respect of the expenditures made for these programs.



The Board in its Decision in Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account, including both sub-accounts, commencing in 2015. However, there is a small balance that was accrued after 2013 remaining for disposition, as noted in the table below.

The balance in Hydro One's Distribution Generation – HONI - Variance Accounts is summarized in Table 14.

**Table 14: 1533 – Distribution Generation – HONI - Variance Accounts (\$ Millions)**

| Description   | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at Dec<br>31, 2014 | Balance<br>as at Dec.<br>31, 2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|---|-------------------------|--------------------------------------|----------------------------------|-----------------------------------|---|---|
| Distribution Generation –<br>HONI - Variance Accounts | 1533                    | (1.2)                                | (0.6)                            | 0.6                               | 0.6   | 0.6   |

## **2.2.5 SMART GRID VARIANCE ACCOUNT**

The Board directed Hydro One Distribution to establish deferral accounts related to the Green Energy Plan in the Board's Decision of April 9, 2010 (EB-2009-0096) for 2010 and 2011 distribution rates.

Hydro One established the Smart Grid Variance Account to record the interim funding received in respect of the expenditures made for this program.

In the Board's Decision of December 20, 2012 (EB-2012-0136), the Smart Grid Variance Account was continued and a continuance of interim funding for Hydro One's Smart Grid OM&A expenditures in 2013 was approved in 2013 rates.

Under the Board's Partial Decision (EB-2013-0141) on September 26, 2013, the Smart Grid Variance Account was again continued and interim funding was again approved in

Witness: Samir Chhelavda

2014 rates. The Board accepted Hydro One's proposal relating to Smart Grid as filed in Hydro One Distribution's Settlement Proposal dated September 17, 2013 that the expenditures recorded in Account 1536 will not be subject to a future prudence review.

The Board in its Decision in Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account commencing in 2015. However, significant activity in this account for 2014 has resulted in a balance for disposition, including interest, of \$12.1 million.

The balance in Hydro One Distribution's Smart Grid Variance Account is summarized in Table 15.

**Table 15: 1536 – Smart Grid Variance Account (\$ Millions)**

| Description                 | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|-----------------------------|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Smart Grid Variance Account | 1536                    | (1.1)                                | (12.8)                              | (11.9)                               | (12.0)  | (12.1)  |

#### **2.2.6 DISTRIBUTION SYSTEM CODE ("DSC") EXEMPTION DEFERRAL ACCOUNT**

The Board ordered Hydro One Distribution to establish the Distribution System Code Exemption Deferral Account in the Board's Decision of December 20, 2010 (EB-2010-0229). In the Decision, the Board recognized that costs to mitigate certain unforeseen technical issues should not be visited upon generators who have already executed Connection Costs Agreements, but should instead be eligible for recovery through Hydro One's distribution rate base, subject to the Board's final review "in a future rate proceeding". Specifically, the Board ruled that expenditures for the three specific categories of expenditure included in that proceeding be recorded in sub-accounts of

Witness: Samir Chhelavda

1508, Other Regulatory Assets, subject to the Board's review at a future date. These three categories are:

- Sub-Account Category 1 - Distance Limitation - Capital and OM&A Expenses;
- Sub-Account Category 2 - Delta-Y Transformers - Capital and OM&A Expenses; and
- Sub-Account Category 3 - Dual Secondary Winding Transformers - Capital and OM&A Expenses.

The Board in its Decision in Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account commencing in 2015. However, the principal accumulated in 2014, including interest, is being put forward for disposition as part of this Application.

The balance in Hydro One Distribution's Distribution System Code Exemption Deferral Account by sub-account is summarized in Table 16.

**Table 16: 1508 – Other Regulatory Assets – Sub Account – Distribution System Code Exemption Deferral Account (\$ Millions)**

| Description          | USofA Account Ref | Balance as at Dec. 31, 2013 | Balance as at Dec 31, 2014 | Balance as at Dec. 31, 2015 | Forecast Balance as at Dec. 31, 2016 | Forecast Balance as at Dec. 31, 2017 |
|----------------------|-------------------|-----------------------------|----------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| Distance Limitation  | 1508              | 6.3                         | 15.6                       | 9.1                         | 9.2                                  | 9.3                                  |
| Delta-Y Transformers | 1508              | 0.3                         | 0.4                        | 0.4                         | 0.4                                  | 0.4                                  |
| <b>Total</b>         | <b>1508</b>       | <b>6.6</b>                  | <b>16.0</b>                | <b>9.5</b>                  | <b>9.6</b>                           | <b>9.7</b>                           |

## 2.3 REGULATORY ACCOUNTS NOT SEEKING DISPOSITION

Hydro One is not seeking disposition of the following accounts at this time.

Witness: Samir Chhelavda

### 2.3.1 RRRP VARIANCE ACCOUNT

The treatment of the balance of the Rural or Remote Electricity Rate Protection (“RRRP”) Variance Account has not been within scope of Hydro One Distribution’s past rate applications. As a result of changes made in 2016 to the regulations relating to the RRRP account, Hydro One Distribution is no longer required to maintain this account. As of March 4, 2016, the IESO is responsible for distributing RRRP in accordance with Ontario Regulation 52/16 (amending Ontario Regulation 442/01: Rural or Remote Electricity Rate Protection). As such, Hydro One Distribution is seeking discontinuance of this account.

The balance in the RRRP Variance Account is summarized in Table 17.

**Table 17: 1508 –RRRP Variance Account (\$ Millions)**

| Description           | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|-----------------------|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| RRRP Variance Account | 1508                    | 2.3                                  | 1.2                                 | (1.8)                                | 0.0   | 0.0   |

### 2.3.2 DISTRIBUTION GENERATION – PROVINCIAL - VARIANCE ACCOUNT

Hydro One established the Distribution Generation – Provincial - Variance Account, consisting of separate Distribution Generation - Express Feeders and Distribution Generation – Other Costs accounts to record the interim funding received in respect of the expenditures made for these programs related to the provincially-funded portion of the investments.

Witness: Samir Chhelavda

Hydro One received the Board's approval to discontinue the collection of revenue through the funding adder from the provincial rate payers on December 31, 2014. In light of the continuation of renewable distributed generation connection investments, Hydro One Distribution is not seeking disposition of the balance in this account at this time and will continue to record the costs eligible for direct benefit treatment according to Ontario Regulation 330/09.

The balance in Hydro One Distribution's Distribution Generation – Provincial – Variance Account is summarized in Table 18.

**Table 18: 1533 – Distribution Generation – Provincial - Variance Accounts**

(\$ Millions)

| Description  | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Distribution Generation –<br>Provincial - Variance Account | 1533                    | (51.7)                               | (68.8)                              | (65.4)                               | (57.9)  | (48.5)  |

### **2.3.3 REVENUE DIFFERENCE ACCOUNT–POLE ATTACHMENT CHARGE VARIANCE ACCOUNT**

The Revenue Difference Account – Pole Attachment Charge Variance Account was established consistent with Board direction in its Decision dated August 4, 2016, in EB-2015-0141. The pole attachment charge is the amount that Hydro One Distribution collects from cable and telecommunications companies for connecting their overhead wires to its power poles. This account was established to record the revenue difference between the interim pole attachment charge and the final pole attachment charge approved by the Board in its Decision. As per the decision, this account will be closed after the allocated balances have been invoiced to the pole attachment customers and therefore Hydro One Distribution is not seeking disposition of this account.

Witness: Samir Chhelavda

1 The balance in Hydro One Distribution's Revenue Difference Account – Pole  
2 Attachment Charge Variance Account is summarized in Table 19.

3

4 **Table 19: 1508 – Revenue Difference Account – Pole Attachment Charge Variance**

5

**Account (\$ Millions)**

| Description  | USofA<br>Account<br>Ref | Balance<br>as at<br>Dec. 31,<br>2013 | Balance<br>as at<br>Dec 31,<br>2014 | Balance<br>as at<br>Dec. 31,<br>2015 | Forecast<br>Balance<br>as at Dec.<br>31, 2016 | Forecast<br>Balance<br>as at Dec.<br>31, 2017 |
|--|-------------------------|--------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Revenue Difference Account –<br>Pole Attachment Charge<br>Variance Account | 1508                    | 0.0                                  | 0.0                                 | 0.0                                  | 0.0   | 0.0   |

6

| Continuity Schedule Regulatory Accounts - F1-01-01-1   |              |                 |                | 2013  |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
|--|--------------|-----------------|----------------|---|--|---|--|--|--|---|--|-----------------------------|--|--|--|----------------------------------|-----------|--------------|
| Account Descriptions   | Calc         | For Disposition | Account Number | Principal Disposition of 2011 Bal's (on Jan 1 2013) - instructed by Board - Rider 9 | Interest Disposition of 2011 Bal's (on Jan 1 2013) - instructed by Board - Rider 9 | Opening Principal Balances after transfers of 2011 approved balances (2013) opening bal's | Transactions Debit/ (Credit) during 2012 excluding interest and adjustments <sup>6</sup> | Board-Approved Disposition during 2013 | Adjustments during 2013 - other <sup>3</sup> | Closing Principal Balance as of Dec-31-13 | Opening 2013 Interest Principal Balances after transfers of 2011 approved balances | Interest Jan-1 to Dec-31-13 | Board-Approved Disposition during 2013 | Adjustments during 2013 - other <sup>3</sup> | Closing Interest Amounts as of Dec-31-13 | Total Balance as at Dec 31, 2013 |           |              |
| Type 1 Accounts Requesting Disposition   |              |                 |                |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| LV Variance Account  |              | Yes             | 1550           | 6,676,832   | 110,616  | 2,065,656   | 1,694,122  |  |  | 3,759,778                                 | 114,780  | 41,793                      |  |  | 156,573                                  | 3,916,351                        |           |              |
| RSVA - Wholesale Market Service Charge   |              | Yes             | 1580           | (67,163,657)  | (924,188)  | (41,215,764)  | (28,728,366)   |  |  | (69,944,130)                              | (1,272,931)  | (847,552)                   |  |  | (2,120,482)                              | (72,064,612)                     |           |              |
| RSVA - Retail Transmission Network Charge  |              | Yes             | 1584           | 20,697,915  | 240,324  | 37,199,843  | 859,628  |  |  | 38,059,471                                | 556,956  | 552,248                     |  |  | 1,109,204                                | 39,168,675                       |           |              |
| RSVA - Retail Transmission Connection Charge   |              | Yes             | 1586           | 9,454,348   | 81,060   | 16,551,532  | (634,728)  |  |  | 15,916,804                                | 247,711  | 231,519                     |  |  | 479,230                                  | 16,396,034                       |           |              |
| RSVA - Power - Sub-Account -Power  |              | Yes             | 1588           |   |  |   | (547,551)  |  |  | (547,551)                                 | 0  | 0                           |  |  | 0  | (547,551)                        |           |              |
| RSVA - Power - Sub-Account -Gobal adjustment   |              | Yes             | 1589           | (8,739,863)   | (156,105)  | (20,044,576)  | (1,630,682)  |  |  | (21,675,258)                              | (270,291)  | (490,288)                   |  |  | (760,580)                                | (22,435,838)                     |           |              |
| Special Purpose Charge Variance Account (SPC)  | Discontinued | Yes             | 1595           |   |  | 124,858   | 0  | 0                                      | 0  | 124,858                                   | 45,361   | 1,830                       |  | 0  | 47,191                                   | 172,049                          |           |              |
| Rider 9 - Disposition and Recovery of Regulatory Balances  | Discontinued | Yes             | 1595           | 44,239,943  | (6,770,727)  | (44,239,943)  | 18,874,044   |  |  | (25,365,899)                              | 6,770,727  | (521,759)                   |  |  | 6,248,968                                | (19,116,931)                     |           |              |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment)   |              |                 |                | 5,165,519   | (7,419,019)  | (49,558,396)  | (10,113,531)   | -                                      | -  | (59,671,927)                              | 6,192,312  | (1,032,209)                 | -                                      | -  | 5,160,104                                | (54,511,823)                     |           |              |
| Type 2 Regulatory Accounts Requesting Disposition  |              |                 |                |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| RCVA   |              | Yes             | 1518/1548      |   |  | 244,325   | 804,594  |  |  | 1,048,919                                 | (4,963)  | 4,952                       |  |  | (11)                                     | 1,048,909                        |           |              |
| Pension Cost Differential Account  |              | Yes             | 2405           |   |  | 44,862,342  | 12,824,078   |  |  | 57,686,419                                | 885,233  | 720,926                     |  |  | 1,606,159                                | 59,292,578                       |           |              |
| Microfit Connection Charge Variance Account  |              | Yes             | 1508           |   |  | (853,047)   | (679,339)  |  |  | (1,532,386)                               | (9,997)  | (17,052)                    |  |  | (27,049)                                 | (1,559,435)                      |           |              |
| Tax Rate Changes Account   |              | Yes             | 1592           |   |  | (12,912,850)  | (4,200,000)  |  |  | (17,112,850)                              | (173,758)  | (228,461)                   |  |  | (402,220)                                | (17,515,070)                     |           |              |
| Smart Meters Minimum Functionality   | Discontinued | Yes             | 1555/1556      |   |  | (21,151,876)  | 4,497,037  |  |  | (16,654,839)                              | (468,314)  | (283,289)                   |  |  | (751,603)                                | (17,406,443)                     |           |              |
| Smart Meters Exceeding Minimum Functionality   | Discontinued | Yes             | 1555/1556      |   |  | 15,609,759  | 5,182,351  |  |  | 20,792,110                                | 317,771  | 260,203                     |  |  | 577,974                                  | 21,370,084                       |           |              |
| DG - Other Costs - HONI - Variance Account   |              | Yes             | 1533           |   |  | (1,523,227)   | 387,111  |  |  | (1,136,116)                               | (36,009)   | (19,817)                    |  |  | (55,826)                                 | (1,191,942)                      |           |              |
| Express Feeders - Hydro One  | Discontinued | Yes             | 1533           |   |  | (265,420)   | 0  |  |  | (265,420)                                 | (5,738)  | (3,891)                     |  |  | (9,629)                                  | (275,049)                        |           |              |
| Smart Grid Variance Account  |              | Yes             | 1536           |   |  | (8,668,547)   | 8,148,092  |  |  | (520,455)                                 | (434,753)  | (97,478)                    |  |  | (532,231)                                | (1,052,686)                      |           |              |
| OEB Cost Differential Account  | Discontinued | Yes             | 1508           |   |  | 6,206,462   | 2,758,387  |  |  | 8,964,849                                 | 111,361  | 110,836                     |  |  | 222,197                                  | 9,187,046                        |           |              |
| DSC Exemption Deferral Account   |              | Yes             | 1508           |   |  | 2,250,380   | 4,239,705  |  |  | 6,490,085                                 | 29,575   | 61,221                      |  |  | 90,796                                   | 6,580,881                        |           |              |
| Deferred Revenue Project Costs Account   | Discontinued | Yes             | 2405           |   |  | (1,642,342)   | 0  |  |  | (1,642,342)                               | (62,545)   | (24,076)                    |  |  | (86,621)                                 | (1,728,963)                      |           |              |
| Generator Joint Use Revenue Deferral Account   | Discontinued | Yes             | 2405           |   |  | (193,913)   | (117,910)  |  |  | (311,823)                                 | (2,381)  | (3,484)                     |  |  | (5,866)                                  | (317,689)                        |           |              |
| Smart Meter Entity Charge Variance Account   |              | Yes             | 1551           |   |  | 0   | 644,180  |  |  | 644,180                                   | 0  | 9,640                       |  |  | 9,640                                    | 653,820                          |           |              |
| Revenue Offset Difference Account - Pole Attachment Charge   |              | Yes             | 2405           |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| Bill Impact Mitigation Variance Account  |              | Yes             | 1508           |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| Sub-total Type 2 Accounts Requesting Disposition   |              |                 |                | -   | -  | 21,962,045  | 34,488,284   | -                                      | -  | 56,450,329                                | 145,482  | 490,230                     | -                                      | -  | 635,712                                  | 57,086,041                       |           |              |
| Total Regulatory Accounts Requesting Disposition   |              |                 |                | A   |  | 5,165,519   | (7,419,019)  | (27,596,351)                           | 24,374,753                                   | -   | -  | (3,221,597)                 | 6,337,794                              | (541,979)                                    | -  | -                                | 5,795,815 | 2,574,218    |
| Type 2 Accounts Not Requesting Disposition   |              |                 |                |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| IFRS Transition Costs Variance Account   |              | No              | 1508           |   |  | 0   | 0  |  | 0  | 0   | 0  | 0                           |  | 0  | 0  | 0                                |           |              |
| Recovery of Regulatory Asset Balances  |              | No              | 1590           | (5,234,904)   | 7,696,367  | 0   | 0  |  |  | 0   | (721,602)  | 721,602                     |  |  | (0)                                      | (0)                              |           |              |
| Rider 6 - Disposition and Recovery of Regulatory Balances  |              | No              | 1595           | 69,385  | (277,348)  | 14,674  | (14,674)   |  |  | 0   | 0  | (0)                         |  |  | 0  | 0                                |           |              |
| Acq MEU Rate Mitigation  |              | No              | 1508           |   |  | 0   |  |  | 0  | 0   | 0  |                             |  | 0  | 0  | 0                                |           |              |
| Special Purpose Charge Variance Account  |              | No              | 1521           |   |  | 0   | 0  |  | 0  | 0   | 0  | 0                           |  | 0  | 0  | 0                                |           |              |
| RRRP   |              | No              | 1508           |   |  | (6,560,513)   | 8,610,576  |  |  | 2,050,063                                 | 356,774  | (66,844)                    |  |  | 289,930                                  | 2,339,993                        |           |              |
| DG - Other Costs - Provincial Pool - Variance Account  |              | No              | 1533           |   |  | (31,272,830)  | (15,709,965)   |  |  | (46,982,794)                              | (556,798)  | (569,806)                   |  |  | (1,126,604)                              | (48,109,399)                     |           |              |
| DG - Express Feeders - Provincial Pool - Variance Account  |              | No              | 1533           |   |  | (2,354,561)   | (1,177,274)  |  |  | (3,531,834)                               | (33,116)   | (42,463)                    |  |  | (75,579)                                 | (3,607,414)                      |           |              |
| Rider 2015-2017 - Disposition and Recovery of Regulatory Balances  |              | Yes             | 1595           |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| Revenue Difference Account - Pole Attachment Charge  |              | No              | 1508           |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
| Sub-total Type 2 Accounts Not Requesting Disposition   |              |                 |                | B   |  | (5,165,519)   | 7,419,019  | (40,173,230)                           | (8,291,336)                                  | -   | -  | (48,464,566)                | (954,743)                              | 42,489                                       | -  | -                                | (912,254) | (49,376,820) |
| Total Regulatory Account Balances  |              |                 |                | C=A+B   |  | -   | -  | (67,769,580)                           | 16,083,417                                   | -   | -  | (51,686,163)                | 5,383,051                              | (499,490)                                    | -  | -                                | 4,883,561 | (46,802,602) |
| Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million |              |                 |                |   |  |   |  |  |  |   |  |                             |  |  |  |                                  |           |              |
|  |              |                 |                |   |  |   |  |  |  |   |  |                             |  |  |  | Comment 1                        |           |              |

| 2014   |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
|--|--------------|-----------------|----------------|--|--|--|---------------------------------|---------------------------------------|---|---|-----------------------------|--|---------------------------------|---------------------------------------|--|----------------------------------|
| Account Descriptions   | Calc         | For Disposition | Account Number | Opening Principal Amounts as of Jan-1-2014 | Transactions Debit / (Credit) during 2014 excluding interest and adjustments | Board-Approved Disposition during 2014 | Adjustments during 2014 - other | Transactions/ Adjustments During Year | Closing Principal Balance as of Dec-31-2014 | Opening Interest Amounts as of Jan-1-2014 | Interest Jan-1 to Dec-31-14 | Board-Approved Disposition during 2014 | Adjustments during 2014 - other | Transactions/ Adjustments During Year | Closing Interest Amounts as of Dec-31-2014 | Total Balance as at Dec 31, 2014 |
| Type 1 Accounts Requesting Disposition   |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| LV Variance Account  |              | Yes             | 1550           | 3,759,778                                  | 1,904,812  |  |                                 | 1,904,812                             | 5,664,590                                   | 156,573                                   | 68,101                      |  |                                 | 68,101                                | 224,674                                    | 5,889,264                        |
| RSVA - Wholesale Market Service Charge   |              | Yes             | 1580           | (69,944,130)                               | (15,629,998)   |  |                                 | (15,629,998)                          | (85,574,128)                                | (2,120,482)                               | (969,304)                   |  |                                 | (969,304)                             | (3,089,786)                                | (88,663,914)                     |
| RSVA - Retail Transmission Network Charge  |              | Yes             | 1584           | 38,059,471                                 | 3,304,351  |  |                                 | 3,304,351                             | 41,363,822                                  | 1,109,204                                 | 581,761                     |  |                                 | 581,761                               | 1,690,965                                  | 43,054,786                       |
| RSVA - Retail Transmission Connection Charge   |              | Yes             | 1586           | 15,916,804                                 | 12,899,792   |  |                                 | 12,899,792                            | 28,816,597                                  | 479,230                                   | 318,935                     |  |                                 | 318,935                               | 798,165                                    | 29,614,762                       |
| RSVA - Power - Sub-Account -Power  |              | Yes             | 1588           | (547,551)                                  | 8,507,428  |  |                                 | 8,507,428                             | 7,959,877                                   | 0   | 54,995                      |  |                                 | 54,995                                | 54,995                                     | 8,014,871                        |
| RSVA - Power - Sub-Account -Global adjustment  |              | Yes             | 1589           | (21,675,258)                               | 32,464,827   |  |                                 | 32,464,827                            | 10,789,569                                  | (760,580)                                 | (819,187)                   |  |                                 | (819,187)                             | (1,579,767)                                | 9,209,803                        |
| Special Purpose Charge Variance Account (SPC)  | Discontinued | Yes             | 1595           | 124,858                                    | 0  |  | (124,858)                       | (124,858)                             | 0   | 47,191                                    | 0                           |  | (47,191)                        | (47,191)                              | 0  | 0                                |
| Rider 9 - Disposition and Recovery of Regulatory Balances  | Discontinued | Yes             | 1595           | (25,365,899)                               | 0  | 25,365,899                             |                                 | 25,365,899                            | 0   | 6,248,968                                 | 0                           | (6,770,727)                            | 521,759                         | (6,248,968)                           | 0  | 0                                |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment)   |              |                 |                | (59,671,927)                               | 43,451,212   | 25,365,899                             | (124,858)                       | 68,692,253                            | 9,020,326                                   | 5,160,104                                 | (764,699)                   | (6,770,727)                            | 474,567                         | (7,060,858)                           | (1,900,755)                                | 7,119,572                        |
| Type 2 Regulatory Accounts Requesting Disposition  |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| RCVA   |              | Yes             | 1518/1548      | 1,048,919                                  | (323,090)  |  |                                 | (323,090)                             | 725,829                                     | (11)                                      | 19,863                      |  |                                 | 19,863                                | 19,853                                     | 745,682                          |
| Pension Cost Differential Account  |              | Yes             | 2405           | 57,686,419                                 | 18,637,674   |  |                                 | 18,637,674                            | 76,324,093                                  | 1,606,159                                 | 921,735                     |  |                                 | 921,735                               | 2,527,893                                  | 78,851,987                       |
| Microfit Connection Charge Variance Account  |              | Yes             | 1508           | (1,532,386)                                | (767,820)  |  |                                 | (767,820)                             | (2,300,206)                                 | (27,049)                                  | (27,386)                    |  |                                 | (27,386)                              | (54,435)                                   | (2,354,641)                      |
| Tax Rate Changes Account   |              | Yes             | 1592           | (17,112,850)                               | (4,152,874)  |  |                                 | (4,152,874)                           | (21,265,724)                                | (402,220)                                 | (274,685)                   |  |                                 | (274,685)                             | (676,904)                                  | (21,942,628)                     |
| Smart Meters Minimum Functionality   | Discontinued | Yes             | 1555/1556      | (16,654,839)                               | 2,821,990  |  |                                 | 2,821,990                             | (13,832,850)                                | (751,603)                                 | (195,847)                   |  |                                 | (195,847)                             | (947,450)                                  | (14,780,300)                     |
| Smart Meters Exceeding Minimum Functionality   | Discontinued | Yes             | 1555/1556      | 20,792,110                                 | 4,809,251  |  |                                 | 4,809,251                             | 25,601,360                                  | 577,974                                   | 336,413                     |  |                                 | 336,413                               | 914,388                                    | 26,515,748                       |
| DG - Other Costs - HONI - Variance Account   |              | Yes             | 1533           | (1,136,116)                                | 579,126  |  |                                 | 579,126                               | (556,990)                                   | (55,826)                                  | (13,815)                    |  |                                 | (13,815)                              | (69,642)                                   | (626,632)                        |
| Express Feeders - Hydro One  | Discontinued | Yes             | 1533           | (265,420)                                  | 0  |  |                                 | 0                                     | (265,420)                                   | (9,629)                                   | (3,902)                     |  |                                 | (3,902)                               | (13,531)                                   | (278,950)                        |
| Smart Grid Variance Account  |              | Yes             | 1536           | (520,455)                                  | (11,722,854)   |  |                                 | (11,722,854)                          | (12,243,309)                                | (532,231)                                 | (73,826)                    |  |                                 | (73,826)                              | (606,057)                                  | (12,849,365)                     |
| OEB Cost Differential Account  | Discontinued | Yes             | 1508           | 8,964,849                                  | 2,756,596  |  |                                 | 2,756,596                             | 11,721,444                                  | 222,197                                   | 153,994                     |  |                                 | 153,994                               | 376,192                                    | 12,097,636                       |
| DSC Exemption Deferral Account   |              | Yes             | 1508           | 6,490,085                                  | 9,323,125  |  |                                 | 9,323,125                             | 15,813,210                                  | 90,796                                    | 132,207                     |  |                                 | 132,207                               | 223,003                                    | 16,036,213                       |
| Deferred Revenue Project Costs Account   | Discontinued | Yes             | 2405           | (1,642,342)                                | 0  |  |                                 | 0                                     | (1,642,342)                                 | (86,621)                                  | (24,142)                    |  |                                 | (24,142)                              | (110,763)                                  | (1,753,105)                      |
| Generator Joint Use Revenue Deferral Account   | Discontinued | Yes             | 2405           | (311,823)                                  | (136,271)  |  |                                 | (136,271)                             | (448,095)                                   | (5,866)                                   | (5,193)                     |  |                                 | (5,193)                               | (11,059)                                   | (459,154)                        |
| Smart Meter Entity Charge Variance Account   |              | Yes             | 1551           | 644,180                                    | (133,140)  |  |                                 | (133,140)                             | 511,040                                     | 9,640                                     | 8,623                       |  |                                 | 8,623                                 | 18,264                                     | 529,303                          |
| Revenue Offset Difference Account - Pole Attachment Charge   |              | Yes             | 2405           |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| Bill Impact Mitigation Variance Account  |              | Yes             | 1508           |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| Sub-total Type 2 Accounts Requesting Disposition   |              |                 |                | 56,450,329                                 | 21,691,713   | -                                      |                                 | 21,691,713                            | 78,142,042                                  | 635,712                                   | 954,040                     | -                                      | -                               | 954,040                               | 1,589,751                                  | 79,731,794                       |
| Total Regulatory Accounts Requesting Disposition A   |              |                 |                | (3,221,597)                                | 65,142,925   | 25,365,899                             | (124,858)                       | 90,383,966                            | 87,162,369                                  | 5,795,815                                 |                             | (6,770,727)                            | 474,567                         | (6,106,819)                           | (311,004)                                  | 86,851,365                       |
| Type 2 Accounts Not Requesting Disposition   |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| IFRS Transition Costs Variance Account   |              | No              | 1508           | 0  | 0  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| Recovery of Regulatory Asset Balances  |              | No              | 1590           | 0  | 0  |  |                                 | 0                                     | 0   | (0)                                       |                             |  |                                 | 0                                     | (0)  | (0)                              |
| Rider 6 - Disposition and Recovery of Regulatory Balances  |              | No              | 1595           | 0  | 0  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| Acq MEU Rate Mitigation  |              | No              | 1508           | 0  | 0  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| Special Purpose Charge Variance Account  |              | No              | 1521           | 0  | 0  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| RRRP   |              | No              | 1508           | 2,050,063                                  | (1,133,793)  |  |                                 | (1,133,793)                           | 916,270                                     | 289,930                                   | 11,899                      |  |                                 | 11,899                                | 301,829                                    | 1,218,099                        |
| DG - Other Costs - Provincial Pool - Variance Account  |              | No              | 1533           | (46,982,794)                               | (15,116,461)   |  |                                 | (15,116,461)                          | (62,099,255)                                | (1,126,604)                               | (800,814)                   |  |                                 | (800,814)                             | (1,927,418)                                | (64,026,673)                     |
| DG - Express Feeders - Provincial Pool - Variance Account  |              | No              | 1533           | (3,531,834)                                | (1,177,273)  |  |                                 | (1,177,273)                           | (4,709,107)                                 | (75,579)                                  | (59,887)                    |  |                                 | (59,887)                              | (135,467)                                  | (4,844,574)                      |
| Rider 2015-2017 - Disposition and Recovery of Regulatory Balances  |              | Yes             | 1595           |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| Revenue Difference Account - Pole Attachment Charge  |              | No              | 1508           |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| Sub-total Type 2 Accounts Not Requesting Disposition B   |              |                 |                | (48,464,566)                               | (17,427,527)   | -                                      | -                               | (17,427,527)                          | (65,892,092)                                | (912,254)                                 | (848,802)                   | -                                      | -                               | (848,802)                             | (1,761,056)                                | (67,653,149)                     |
| Total Regulatory Account Balances C=A+B  |              |                 |                | (51,686,163)                               | 47,715,398   | 25,365,899                             | (124,858)                       | 72,956,439                            | 21,270,276                                  | 4,883,561                                 |                             | (6,770,727)                            |                                 |                                       |  | 19,198,217                       |
| Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million |              |                 |                |  |  |  |                                 | -                                     | -   |   |                             |  |                                 |                                       |  |                                  |



| DRO ONE NETWORKS INC. DISTRIBUTION   |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
|--|--------------|-----------------|----------------|--|--|--|---------------------------------|---------------------------------------|---|---|-----------------------------|--|---------------------------------|---------------------------------------|--|----------------------------------|
| Continuity Schedule Regulatory Accounts - F1-01-01-1   |              |                 |                | 2015                                       |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| Account Descriptions   | Calc         | For Disposition | Account Number | Opening Principal Amounts as of Jan-1-2015 | Transactions Debit / (Credit) during 2015 excluding interest and adjustments | Board-Approved Disposition during 2015 | Adjustments during 2015 - other | Transactions/ Adjustments During Year | Closing Principal Balance as of Dec-31-2015 | Opening Interest Amounts as of Jan-1-2015 | Interest Jan-1 to Dec-31-15 | Board-Approved Disposition during 2015 | Adjustments during 2015 - other | Transactions/ Adjustments During Year | Closing Interest Amounts as of Dec-31-2015 | Total Balance as at Dec 31, 2015 |
| Type 1 Accounts Requesting Disposition   |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| LV Variance Account  |              | Yes             | 1550           | 5,664,590                                  | (1,196,360)  |  |                                 | (1,196,360)                           | 4,468,230                                   | 224,674                                   | (158,384)                   |  |                                 | (158,384)                             | 66,289                                     | 4,534,519                        |
| RSVA - Wholesale Market Service Charge   |              | Yes             | 1580           | (85,574,128)                               | 36,044,545   |  |                                 | 36,044,545                            | (49,529,583)                                | (3,089,786)                               | 2,345,230                   |  |                                 | 2,345,230                             | (744,556)                                  | (50,274,139)                     |
| RSVA - Retail Transmission Network Charge  |              | Yes             | 1584           | 41,363,822                                 | (25,843,069)   |  |                                 | (25,843,069)                          | 15,520,752                                  | 1,690,965                                 | (1,387,935)                 |  |                                 | (1,387,935)                           | 303,030                                    | 15,823,782                       |
| RSVA - Retail Transmission Connection Charge   |              | Yes             | 1586           | 28,816,597                                 | 23,791,052   |  |                                 | 23,791,052                            | 52,607,649                                  | 798,165                                   | (383,014)                   |  |                                 | (383,014)                             | 415,151                                    | 53,022,800                       |
| RSVA - Power - Sub-Account -Power  |              | Yes             | 1588           | 7,959,877                                  | 19,284,662   |  |                                 | 19,284,662                            | 27,244,538                                  | 54,995                                    | 88,584                      |  |                                 | 88,584                                | 143,579                                    | 27,388,117                       |
| RSVA - Power - Sub-Account -Gobal adjustment   |              | Yes             | 1589           | 10,789,569                                 | 52,102,287   |  |                                 | 52,102,287                            | 62,891,856                                  | (1,579,767)                               | 846,530                     |  |                                 | 846,530                               | (733,237)                                  | 62,158,619                       |
| Special Purpose Charge Variance Account (SPC)  | Discontinued | Yes             | 1595           | 0  |  |  |                                 | 0                                     | 0   |   |                             |  |                                 | 0                                     | 0  | 0                                |
| Rider 9 - Disposition and Recovery of Regulatory Balances  | Discontinued | Yes             | 1595           |  |  |  | 0                               | 0                                     | 0   |   |                             |  |                                 | 0                                     | 0  |                                  |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment)   |              |                 |                | 9,020,326                                  | 104,183,116  | -                                      | -                               | 104,183,116                           | 113,203,442                                 | (1,900,755)                               | 1,351,012                   | -                                      | -                               | 1,351,012                             | (549,743)                                  | 112,653,700                      |
| Type 2 Regulatory Accounts Requesting Disposition  |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| RCVA   |              | Yes             | 1518/1548      | 725,829                                    | (695,088)  |  |                                 | (695,088)                             | 30,741                                      | 19,853                                    | (11,597)                    |  |                                 | (11,597)                              | 8,256                                      | 38,997                           |
| Pension Cost Differential Account  |              | Yes             | 2405           | 76,324,093                                 | (53,927,314)   |  |                                 | (53,927,314)                          | 22,396,779                                  | 2,527,893                                 | (1,884,428)                 |  |                                 | (1,884,428)                           | 643,466                                    | 23,040,245                       |
| Microfit Connection Charge Variance Account  |              | Yes             | 1508           | (2,300,206)                                | 1,532,383  |  |                                 | 1,532,383                             | (767,823)                                   | (54,435)                                  | 31,345                      |  |                                 | 31,345                                | (23,089)                                   | (790,912)                        |
| Tax Rate Changes Account   |              | Yes             | 1592           | (21,265,724)                               | 17,112,850   |  |                                 | 17,112,850                            | (4,152,874)                                 | (676,904)                                 | 507,398                     |  |                                 | 507,398                               | (169,507)                                  | (4,322,380)                      |
| Smart Meters Minimum Functionality   | Discontinued | Yes             | 1555/1556      | (13,832,850)                               | 13,832,850   |  |                                 | 13,832,850                            | 0   | (947,450)                                 | 947,450                     |  |                                 | 947,450                               | 0  | 0                                |
| Smart Meters Exceeding Minimum Functionality   | Discontinued | Yes             | 1555/1556      | 25,601,360                                 | (25,601,360)   |  |                                 | (25,601,360)                          | 0   | 914,388                                   | (914,388)                   |  |                                 | (914,388)                             | 0  | 0                                |
| DG - Other Costs - HONI - Variance Account   |              | Yes             | 1533           | (556,990)                                  | 1,136,116  |  |                                 | 1,136,116                             | 579,126                                     | (69,642)                                  | 72,992                      |  |                                 | 72,992                                | 3,350                                      | 582,476                          |
| Express Feeders - Hydro One  | Discontinued | Yes             | 1533           | (265,420)                                  | 265,420  |  |                                 | 265,420                               | 0   | (13,531)                                  | 12,028                      |  |                                 | 12,028                                | (1,503)                                    | (1,503)                          |
| Smart Grid Variance Account  |              | Yes             | 1536           | (12,243,309)                               | 594,424  |  |                                 | 594,424                               | (11,648,885)                                | (606,057)                                 | 397,044                     |  |                                 | 397,044                               | (209,013)                                  | (11,857,897)                     |
| OEB Cost Differential Account  | Discontinued | Yes             | 1508           | 11,721,444                                 | (11,721,444)   |  |                                 | (11,721,444)                          | 0   | 376,192                                   | (376,192)                   |  |                                 | (376,192)                             | 0  | 0                                |
| DSC Exemption Deferral Account   |              | Yes             | 1508           | 15,813,210                                 | (6,490,085)  |  |                                 | (6,490,085)                           | 9,323,125                                   | 223,003                                   | (38,387)                    |  |                                 | (38,387)                              | 184,616                                    | 9,507,741                        |
| Deferred Revenue Project Costs Account   | Discontinued | Yes             | 2405           | (1,642,342)                                | 1,642,342  |  |                                 | 1,642,342                             | 0   | (110,763)                                 | 110,763                     |  |                                 | 110,763                               | 0  | 0                                |
| Generator Joint Use Revenue Deferral Account   | Discontinued | Yes             | 2405           | (448,095)                                  | 448,095  |  |                                 | 448,095                               | 0   | (11,059)                                  | 11,059                      |  |                                 | 11,059                                | 0  | 0                                |
| Smart Meter Entity Charge Variance Account   |              | Yes             | 1551           | 511,040                                    | (216,097)  |  |                                 | (216,097)                             | 294,943                                     | 18,264                                    | (18,050)                    |  |                                 | (18,050)                              | 214  | 295,157                          |
| Revenue Offset Difference Account - Pole Attachment Charge   |              | Yes             | 2405           | 0  |  |  |                                 | 0                                     | 0   | 0   | 0                           |  |                                 | 0                                     | 0  | 0                                |
| Bill Impact Mitigation Variance Account  |              | Yes             | 1508           |  |  |  |                                 | 1,810,384                             | 1,810,384                                   | 0   | 8,734                       |  |                                 | 8,734                                 | 8,734                                      | 1,819,118                        |
| Sub-total Type 2 Accounts Requesting Disposition   |              |                 |                | 78,142,042                                 | (62,086,910)   | -                                      | -                               | (62,086,910)                          | 17,865,517                                  | 1,589,751                                 | (1,144,227)                 | -                                      | -                               | (1,144,227)                           | 445,524                                    | 18,311,041                       |
| Total Regulatory Accounts Requesting Disposition A   |              |                 |                | 87,162,369                                 | 42,096,206   | -                                      | -                               | 42,096,206                            | 129,258,575                                 | (311,004)                                 | 206,785                     | -                                      | -                               | 206,785                               | (104,218)                                  | 130,964,741                      |
| Type 2 Accounts Not Requesting Disposition   |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |
| IFRS Transition Costs Variance Account   |              | No              | 1508           | 0  |  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| Recovery of Regulatory Asset Balances  |              | No              | 1590           | 0  |  |  |                                 | 0                                     | 0   | (0)                                       |                             |  |                                 | 0                                     | (0)  | (0)                              |
| Rider 6 - Disposition and Recovery of Regulatory Balances  |              | No              | 1595           | 0  |  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| Acq MEU Rate Mitigation  |              | No              | 1508           | 0  |  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| Special Purpose Charge Variance Account  |              | No              | 1521           | 0  |  |  |                                 | 0                                     | 0   | 0   |                             |  |                                 | 0                                     | 0  | 0                                |
| RRRP   |              | No              | 1508           | 916,270                                    | (2,978,751)  |  |                                 | (2,978,751)                           | (2,062,481)                                 | 301,829                                   | (30,127)                    |  |                                 | (30,127)                              | 271,701                                    | (1,790,780)                      |
| DG - Other Costs - Provincial Pool - Variance Account  |              | No              | 1533           | (62,099,255)                               | 4,246,258  |  |                                 | 4,246,258                             | (57,852,997)                                | (1,927,418)                               | (713,728)                   |  |                                 | (713,728)                             | (2,641,146)                                | (60,494,144)                     |
| DG - Express Feeders - Provincial Pool - Variance Account  |              | No              | 1533           | (4,709,107)                                | 0  |  |                                 | 0                                     | (4,709,107)                                 | (135,467)                                 | (56,096)                    |  |                                 | (56,096)                              | (191,563)                                  | (4,900,671)                      |
| Rider 2015-2017 - Disposition and Recovery of Regulatory Balances  |              | Yes             | 1595           |  | 34,062,895   | (12,993,217)                           |                                 | 21,069,678                            | 21,069,678                                  | (819,970)                                 | 176,815                     |  |                                 | 176,815                               | (643,155)                                  | 20,426,523                       |
| Revenue Difference Account - Pole Attachment Charge  |              | No              | 1508           |  |  |  |                                 | 0                                     | 0   | 0   | 0                           |  |                                 | 0                                     | 0  | 0                                |
| Sub-total Type 2 Accounts Not Requesting Disposition   |              |                 |                | (65,892,092)                               | 35,330,402   | (12,993,217)                           | -                               | 22,337,185                            | (43,554,908)                                | (2,581,026)                               | (623,137)                   | -                                      | -                               | (623,137)                             | (3,204,164)                                | (46,759,071)                     |
| Total Regulatory Account Balances C=A+B  |              |                 |                | 21,270,276                                 | 77,426,608   | (12,993,217)                           | -                               | 64,433,391                            | 85,703,667                                  | (2,892,030)                               | (416,352)                   | -                                      | -                               | (416,352)                             | (3,308,382)                                | 84,205,670                       |
| Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million |              |                 |                |  |  |  |                                 |                                       |   |   |                             |  |                                 |                                       |  |                                  |

| Continuity Schedule Regulatory Accounts - F1-01-01-1   |              |                 |                |  |  |   |                                 |                                       |   |   |                                      |  |                                 |                                       |  |                                  |
|--|--------------|-----------------|----------------|--|--|---|---------------------------------|---------------------------------------|---|---|--------------------------------------|--|---------------------------------|---------------------------------------|--|----------------------------------|
| 2016   |              |                 |                |  |  |   |                                 |                                       |   |   |                                      |  |                                 |                                       |  |                                  |
| Account Descriptions   | Calc         | For Disposition | Account Number | Opening Principal Amounts as of Jan-1-2016 | Transactions Debit / (Credit) during 2016 excluding interest and adjustments | Actual Board-Approved Disposition during 2016 | Adjustments during 2016 - other | Transactions/ Adjustments During Year | Closing Principal Balance as of Dec-31-2016 | Opening Interest Amounts as of Jan-1-2016 | Forecast Interest Jan-1 to Dec-31-16 | Board-Approved Disposition during 2016 | Adjustments during 2016 - other | Transactions/ Adjustments During Year | Closing Interest Amounts as of Dec-31-2016 | Total Balance as at Dec 31, 2016 |
| Type 1 Accounts Requesting Disposition   |              |                 |                |  |  |   |                                 |                                       |   |   |                                      |  |                                 |                                       |  |                                  |
| LV Variance Account  |              | Yes             | 1550           | 4,468,230                                  |  |   |                                 | 0                                     | 4,468,230                                   | 66,289                                    | 49,151                               |  |                                 | 49,151                                | 115,440                                    | 4,583,670                        |
| RSVA - Wholesale Market Service Charge   |              | Yes             | 1580           | (49,529,583)                               |  |   |                                 | 0                                     | (49,529,583)                                | (744,556)                                 | (550,873)                            |  |                                 | (550,873)                             | (1,295,428)                                | (50,825,011)                     |
| RSVA - Retail Transmission Network Charge  |              | Yes             | 1584           | 15,520,752                                 |  |   |                                 | 0                                     | 15,520,752                                  | 303,030                                   | 170,728                              |  |                                 | 170,728                               | 473,758                                    | 15,994,510                       |
| RSVA - Retail Transmission Connection Charge   |              | Yes             | 1586           | 52,607,649                                 |  |   |                                 | 0                                     | 52,607,649                                  | 415,151                                   | 578,684                              |  |                                 | 578,684                               | 993,836                                    | 53,601,484                       |
| RSVA - Power - Sub-Account -Power  |              | Yes             | 1588           | 27,244,538                                 |  |   |                                 | 0                                     | 27,244,538                                  | 143,579                                   | 299,690                              |  |                                 | 299,690                               | 443,269                                    | 27,687,807                       |
| RSVA - Power - Sub-Account -Gobal adjustment   |              | Yes             | 1589           | 62,891,856                                 |  |   |                                 | 0                                     | 62,891,856                                  | (733,237)                                 | 691,810                              |  |                                 | 691,810                               | (41,426)                                   | 62,850,430                       |
| Special Purpose Charge Variance Account (SPC)  | Discontinued | Yes             | 1595           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Rider 9 - Disposition and Recovery of Regulatory Balances  | Discontinued | Yes             | 1595           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment)   |              |                 |                | 113,203,442                                | -  | -   | -                               | -                                     | 113,203,442                                 | (549,743)                                 | 1,239,191                            | -                                      | -                               | 1,239,191                             | 689,448                                    | 113,892,890                      |
| Type 2 Regulatory Accounts Requesting Disposition  |              |                 |                |  |  |   |                                 |                                       |   |   |                                      |  |                                 |                                       |  |                                  |
| RCVA   |              | Yes             | 1518/1548      | 30,741                                     |  |   |                                 | 0                                     | 30,741                                      | 8,256                                     | 429                                  |  |                                 | 429                                   | 8,685                                      | 39,426                           |
| Pension Cost Differential Account  |              | Yes             | 2405           | 22,396,779                                 | (15,216,337)   |   |                                 | (15,216,337)                          | 7,180,442                                   | 643,466                                   | 169,753                              |  |                                 | 169,753                               | 813,218                                    | 7,993,661                        |
| Microfit Connection Charge Variance Account  |              | Yes             | 1508           | (767,823)                                  |  |   |                                 | 0                                     | (767,823)                                   | (23,089)                                  | (8,700)                              |  |                                 | (8,700)                               | (31,789)                                   | (799,612)                        |
| Tax Rate Changes Account   |              | Yes             | 1592           | (4,152,874)                                |  |   | 14,902                          | 14,902                                | (4,137,972)                                 | (169,507)                                 | (47,382)                             |  |                                 | (47,382)                              | (216,889)                                  | (4,354,860)                      |
| Smart Meters Minimum Functionality   | Discontinued | Yes             | 1555/1556      | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Smart Meters Exceeding Minimum Functionality   | Discontinued | Yes             | 1555/1556      | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| DG - Other Costs - HONI - Variance Account   |              | Yes             | 1533           | 579,126                                    |  |   | 34,603                          | 34,603                                | 613,729                                     | 3,350                                     | 6,771                                |  |                                 | 6,771                                 | 10,122                                     | 623,851                          |
| Express Feeders - Hydro One  | Discontinued | Yes             | 1533           | 0  |  |   |                                 | 0                                     | 0   | (1,503)                                   | 0                                    |  |                                 | 0                                     | (1,503)                                    | (1,503)                          |
| Smart Grid Variance Account  |              | Yes             | 1536           | (11,648,885)                               |  |   |                                 | 0                                     | (11,648,885)                                | (209,013)                                 | (130,437)                            |  |                                 | (130,437)                             | (339,450)                                  | (11,988,334)                     |
| OEB Cost Differential Account  | Discontinued | Yes             | 1508           | 0  | (1,257,062)  |   |                                 | (1,257,062)                           | (1,257,062)                                 | 0   | (6,914)                              |  |                                 | (6,914)                               | (6,914)                                    | (1,263,976)                      |
| DSC Exemption Deferral Account   |              | Yes             | 1508           | 9,323,125                                  |  |   |                                 | 0                                     | 9,323,125                                   | 184,616                                   | 104,585                              |  |                                 | 104,585                               | 289,201                                    | 9,612,327                        |
| Deferred Revenue Project Costs Account   | Discontinued | Yes             | 2405           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Generator Joint Use Revenue Deferral Account   | Discontinued | Yes             | 2405           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Smart Meter Entity Charge Variance Account   |              | Yes             | 1551           | 294,943                                    |  |   |                                 | 0                                     | 294,943                                     | 214                                       | 3,247                                |  |                                 | 3,247                                 | 3,461                                      | 298,404                          |
| Revenue Offset Difference Account - Pole Attachment Charge   |              | Yes             | 2405           | 0  | (2,240,583)  |   |                                 | (2,240,583)                           | (2,240,583)                                 | 0   | (12,323)                             |  |                                 | (12,323)                              | (12,323)                                   | (2,252,907)                      |
| Bill Impact Mitigation Variance Account  |              | Yes             | 1508           | 1,810,384                                  | 494,017  |   |                                 | 494,017                               | 2,304,401                                   | 8,734                                     | 22,727                               |  |                                 | 22,727                                | 31,462                                     | 2,335,863                        |
| Sub-total Type 2 Accounts Requesting Disposition   |              |                 |                | 17,865,517                                 | (18,219,965)   | -   | 49,505                          | (18,170,460)                          | (304,943)                                   | 445,524                                   | 101,756                              | -                                      | -                               | 101,756                               | 547,281                                    | 242,337                          |
| Total Regulatory Accounts Requesting Disposition A   |              |                 |                | 131,068,959                                | (18,219,965)   | -   | 49,505                          | (18,170,460)                          | 112,898,499                                 | (104,218)                                 | 1,340,947                            | -                                      | -                               | 1,340,947                             | 1,236,729                                  | 114,135,228                      |
| Type 2 Accounts Not Requesting Disposition   |              |                 |                |  |  |   |                                 |                                       |   |   |                                      |  |                                 |                                       |  |                                  |
| IFRS Transition Costs Variance Account   |              | No              | 1508           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Recovery of Regulatory Asset Balances  |              | No              | 1590           | 0  |  |   |                                 | 0                                     | 0   | (0)                                       | 0                                    |  |                                 | 0                                     | (0)  | (0)                              |
| Rider 6 - Disposition and Recovery of Regulatory Balances  |              | No              | 1595           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Acq MEU Rate Mitigation  |              | No              | 1508           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Special Purpose Charge Variance Account  |              | No              | 1521           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| RRRP   |              | No              | 1508           | (2,062,481)                                | 2,062,481  |   |                                 | 2,062,481                             | 0   | 271,701                                   | (281,550)                            |  |                                 | (281,550)                             | (9,849)                                    | (9,849)                          |
| DG - Other Costs - Provincial Pool - Variance Account  |              | No              | 1533           | (57,852,997)                               | 8,151,526  |   |                                 | 8,151,526                             | (49,701,472)                                | (2,641,146)                               | (675,107)                            |  |                                 | (675,107)                             | (3,316,253)                                | (53,017,725)                     |
| DG - Express Feeders - Provincial Pool - Variance Account  |              | No              | 1533           | (4,709,107)                                |  |   |                                 | 0                                     | (4,709,107)                                 | (191,563)                                 |                                      |  |                                 | 0                                     | (191,563)                                  | (4,900,671)                      |
| Rider 2015-2017 - Disposition and Recovery of Regulatory Balances  |              | Yes             | 1595           | 21,069,678                                 |  | (13,333,317)                                  |                                 | (13,333,317)                          | 7,736,361                                   | (643,155)                                 | 151,359                              |  |                                 | 151,359                               | (491,797)                                  | 7,244,564                        |
| Revenue Difference Account - Pole Attachment Charge  |              | No              | 1508           | 0  |  |   |                                 | 0                                     | 0   | 0   | 0                                    |  |                                 | 0                                     | 0  | 0                                |
| Sub-total Type 2 Accounts Not Requesting Disposition   |              |                 |                | (43,554,908)                               | 10,214,007   | (13,333,317)                                  | -                               | (3,119,310)                           | (46,674,218)                                | (3,204,164)                               | (805,299)                            | -                                      | -                               | (805,299)                             | (4,009,462)                                | (50,683,680)                     |
| Total Regulatory Account Balances C=A+B  |              |                 |                | 87,514,052                                 | (8,005,959)  | (13,333,317)                                  | 49,505                          | (21,289,770)                          | 66,224,281                                  | (3,308,382)                               | 535,648                              | -                                      | -                               | 535,648                               | (2,772,734)                                | 63,451,547                       |
| Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million |              |                 |                |  |  |   |                                 | -                                     | -   |   |                                      |  |                                 |                                       |  |                                  |

| HYDRO ONE NETWORKS INC. DISTRIBUTION   |              |                 |                | 2017                                       |   |  |                                 |                                       |   |   |  |  |                                 |                                       |  | Total Balance as at Dec 31, 2017 |
|--|--------------|-----------------|----------------|--|---|--|---------------------------------|---------------------------------------|---|---|--|--|---------------------------------|---------------------------------------|--|----------------------------------|
| Continuity Schedule Regulatory Accounts - F1-01-01-1   |              |                 |                | Opening Principal Amounts as of Jan-1-2017 | Transactions Debit/ (Credit) during 2017 excluding interest and adjustments | Forecasted Board- Approved Disposition during 2017 | Adjustments during 2017 - other | Transactions/ Adjustments During Year | Closing Principal Balance as of Dec-31-2017 | Opening Interest Amounts as of Jan-1-2017 | Forecasted Interest Jan-1 to Dec-31-17 | Forecasted Board- Approved Disposition during 2017 | Adjustments during 2017 - other | Transactions/ Adjustments During Year | Closing Interest Amounts as of Dec-31-2017 |                                  |
| Account Descriptions   | Calc         | For Disposition | Account Number |  |   |  |                                 |                                       |   |   |  |  |                                 |                                       |  |                                  |
| Type 1 Accounts Requesting Disposition   |              |                 |                |  |   |  |                                 |                                       |   |   |  |  |                                 |                                       |  |                                  |
| LV Variance Account  |              | Yes             | 1550           | 4,468,230                                  |   |  |                                 | 0                                     | 4,468,230                                   | 115,440                                   | 49,151                                 |  |                                 | 49,151                                | 164,590                                    | 4,632,820                        |
| RSVA - Wholesale Market Service Charge   |              | Yes             | 1580           | (49,529,583)                               |   |  |                                 | 0                                     | (49,529,583)                                | (1,295,428)                               | (537,241)                              |  |                                 | (537,241)                             | (1,832,670)                                | (51,362,253)                     |
| RSVA - Retail Transmission Network Charge  |              | Yes             | 1584           | 15,520,752                                 |   |  |                                 | 0                                     | 15,520,752                                  | 473,758                                   | 170,728                                |  |                                 | 170,728                               | 644,487                                    | 16,165,239                       |
| RSVA - Retail Transmission Connection Charge   |              | Yes             | 1586           | 52,607,649                                 |   |  |                                 | 0                                     | 52,607,649                                  | 993,836                                   | 578,684                                |  |                                 | 578,684                               | 1,572,520                                  | 54,180,169                       |
| RSVA - Power - Sub-Account -Power  |              | Yes             | 1588           | 27,244,538                                 |   |  |                                 |                                       | 27,244,538                                  | 443,269                                   | 299,690                                |  |                                 | 299,690                               | 742,959                                    | 27,987,497                       |
| RSVA - Power - Sub-Account -Gobal adjustment   |              | Yes             | 1589           | 62,891,856                                 |   |  |                                 | 0                                     | 62,891,856                                  | (41,426)                                  | 691,810                                |  |                                 | 691,810                               | 650,384                                    | 63,542,240                       |
| Special Purpose Charge Variance Account (SPC)  | Discontinued | Yes             | 1595           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Rider 9 - Disposition and Recovery of Regulatory Balances  | Discontinued | Yes             | 1595           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Group 1 Sub-Total (including Account 1589 - Global Adjustment)   |              |                 |                | 113,203,442                                | -   | -  | -                               | -                                     | 113,203,442                                 | 689,448                                   | 1,252,822                              | -  | -                               | 1,252,822                             | 1,942,270                                  | 115,145,712                      |
| Type 2 Regulatory Accounts Requesting Disposition  |              |                 |                |  |   |  |                                 |                                       |   |   |  |  |                                 |                                       |  |                                  |
| RCVA   |              | Yes             | 1518/1548      | 30,741                                     |   |  |                                 | 0                                     | 30,741                                      | 8,685                                     | 434                                    |  |                                 | 434                                   | 9,118                                      | 39,859                           |
| Pension Cost Differential Account  |              | Yes             | 2405           | 7,180,442                                  |   |  |                                 | 0                                     | 7,180,442                                   | 813,218                                   | (1,592)                                |  |                                 | (1,592)                               | 811,626                                    | 7,992,068                        |
| Microfit Connection Charge Variance Account  |              | Yes             | 1508           | (767,823)                                  |   |  |                                 | 0                                     | (767,823)                                   | (31,789)                                  | (8,796)                                |  |                                 | (8,796)                               | (40,585)                                   | (808,408)                        |
| Tax Rate Changes Account   |              | Yes             | 1592           | (4,137,972)                                |   |  |                                 | 0                                     | (4,137,972)                                 | (216,889)                                 | (47,903)                               |  |                                 | (47,903)                              | (264,792)                                  | (4,402,764)                      |
| Smart Meters Minimum Functionality   | Discontinued | Yes             | 1555/1556      | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Smart Meters Exceeding Minimum Functionality   | Discontinued | Yes             | 1555/1556      | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| DG - Other Costs - HONI - Variance Account   |              | Yes             | 1533           | 613,729                                    |   |  |                                 | 0                                     | 613,729                                     | 10,122                                    | 6,846                                  |  |                                 | 6,846                                 | 16,968                                     | 630,696                          |
| Express Feeders - Hydro One  | Discontinued | Yes             | 1533           | 0  |   |  |                                 | 0                                     | 0   | (1,503)                                   | 0                                      |  |                                 | 0                                     | (1,503)                                    | (1,503)                          |
| Smart Grid Variance Account  |              | Yes             | 1536           | (11,648,885)                               |   |  |                                 | 0                                     | (11,648,885)                                | (339,450)                                 | (131,872)                              |  |                                 | (131,872)                             | (471,321)                                  | (12,120,206)                     |
| OEB Cost Differential Account  | Discontinued | Yes             | 1508           | (1,257,062)                                |   |  |                                 | 0                                     | (1,257,062)                                 | (6,914)                                   | (13,904)                               |  |                                 | (13,904)                              | (20,818)                                   | (1,277,880)                      |
| DSC Exemption Deferral Account   |              | Yes             | 1508           | 9,323,125                                  |   |  |                                 | 0                                     | 9,323,125                                   | 289,201                                   | 105,736                                |  |                                 | 105,736                               | 394,937                                    | 9,718,062                        |
| Deferred Revenue Project Costs Account   | Discontinued | Yes             | 2405           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Generator Joint Use Revenue Deferral Account   | Discontinued | Yes             | 2405           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Smart Meter Entity Charge Variance Account   |              | Yes             | 1551           | 294,943                                    |   |  |                                 | 0                                     | 294,943                                     | 3,461                                     | 3,282                                  |  |                                 | 3,282                                 | 6,743                                      | 301,686                          |
| Revenue Offset Difference Account - Pole Attachment Charge   |              | Yes             | 2405           | (2,240,583)                                |   |  |                                 | 0                                     | (2,240,583)                                 | (12,323)                                  | (24,782)                               |  |                                 | (24,782)                              | (37,105)                                   | (2,277,689)                      |
| Bill Impact Mitigation Variance Account  |              | Yes             | 1508           | 2,304,401                                  |   |  |                                 | 0                                     | 2,304,401                                   | 31,462                                    | 25,694                                 |  |                                 | 25,694                                | 57,156                                     | 2,361,558                        |
| Sub-total Type 2 Accounts Requesting Disposition   |              |                 |                | (304,943)                                  | -   | -  | -                               | -                                     | (304,943)                                   | 547,281                                   | (86,857)                               | -  | -                               | (86,857)                              | 460,424                                    | 155,480                          |
| Total Regulatory Accounts Requesting Disposition   |              |                 |                | 112,898,499                                | -   | -  | -                               | -                                     | 112,898,499                                 | 1,236,729                                 | 1,165,965                              | -  | -                               | 1,165,965                             | 2,402,694                                  | 115,301,193                      |
| Type 2 Accounts Not Requesting Disposition   |              |                 |                |  |   |  |                                 |                                       |   |   |  |  |                                 |                                       |  |                                  |
| IFRS Transition Costs Variance Account   |              | No              | 1508           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Recovery of Regulatory Asset Balances  |              | No              | 1590           | 0  |   |  |                                 | 0                                     | 0   | (0)                                       | 0                                      |  |                                 | 0                                     | (0)  | (0)                              |
| Rider 6 - Disposition and Recovery of Regulatory Balances  |              | No              | 1595           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Acq MEU Rate Mitigation  |              | No              | 1508           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Special Purpose Charge Variance Account  |              | No              | 1521           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| RRRP   |              | No              | 1508           | 0  |   |  |                                 | 0                                     | 0   | (9,849)                                   | (108)                                  |  |                                 | (108)                                 | (9,958)                                    | (9,958)                          |
| DG - Other Costs - Provincial Pool - Variance Account  |              | No              | 1533           | (49,701,472)                               | 10,028,736  |  |                                 | 10,028,736                            | (39,672,736)                                | (3,316,253)                               | (581,944)                              |  |                                 | (581,944)                             | (3,898,197)                                | (43,570,933)                     |
| DG - Express Feeders - Provincial Pool - Variance Account  |              | No              | 1533           | (4,709,107)                                |   |  |                                 | 0                                     | (4,709,107)                                 | (191,563)                                 | 0                                      |  |                                 | 0                                     | (191,563)                                  | (4,900,671)                      |
| Rider 2015-2017 - Disposition and Recovery of Regulatory Balances  |              | Yes             | 1595           | 7,736,361                                  | (7,736,361)   |  |                                 | (7,736,361)                           | 0   | (491,797)                                 | 491,797                                |  |                                 | 491,797                               | 0  | 0                                |
| Revenue Difference Account - Pole Attachment Charge  |              | No              | 1508           | 0  |   |  |                                 | 0                                     | 0   | 0   | 0                                      |  |                                 | 0                                     | 0  | 0                                |
| Sub-total Type 2 Accounts Not Requesting Disposition   |              |                 |                | (46,674,218)                               | 2,292,375   | -  | -                               | 2,292,375                             | (44,381,843)                                | (4,009,462)                               | (90,256)                               | -  | -                               | (90,256)                              | (4,099,718)                                | (48,481,562)                     |
| Total Regulatory Account Balances  |              |                 |                | 66,224,281                                 | 2,292,375   | -  | -                               | 2,292,375                             | 68,516,656                                  | (2,772,734)                               | 1,075,709                              | -  | -                               | 1,075,709                             | (1,697,025)                                | 66,819,631                       |
| Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million |              |                 |                |  |   |  |                                 | -                                     | -   |   |  |  |                                 |                                       |  |                                  |

# HYDRO ONE NETWORKS INC.

## DISTRIBUTION

### Regulatory Accounts for Approval

As at December 31, 2017

(\$ Millions)

| Line No.  | Particulars   | Balance as at Dec 31, 2013<br>(a) | Balance as at Dec 31, 2014<br>(b) | Balance as at Dec 31, 2015<br>(c) | Forecasted Balance as at Dec 31, 2016<br>(d) | Forecasted Balance as at Dec 31, 2017<br>(e) |
|---|---|-----------------------------------|-----------------------------------|-----------------------------------|--|--|
| <b>Total Regulatory Accounts seeking Disposition</b>                |   |                                   |                                   |                                   |  |  |
|   | LV Variance Account   | 3.9                               | 5.9                               | 4.5                               | 4.6  | 4.6  |
|   | RSVA - Wholesale Market Service Charge                            | (72.1)                            | (88.7)                            | (50.3)                            | (50.8)                                       | (51.4)                                       |
|   | RSVA - Retail Transmission Network Charge                         | 39.2                              | 43.1                              | 15.8                              | 16.0   | 16.2   |
|   | RSVA - Retail Transmission Connection Charge                      | 16.4                              | 29.6                              | 53.0                              | 53.6   | 54.2   |
|   | RSVA - Power - Sub-Account - Power                                | (0.5)                             | 8.0                               | 27.4                              | 27.7   | 28.0   |
|   | RSVA - Power - Sub-Account - Global Adjustment                    | (22.4)                            | 9.2                               | 62.2                              | 62.9   | 63.5   |
| 1   | RSVA  | (35.6)                            | 7.1                               | 112.7                             | 113.9  | 115.1  |
| 2   | RCVA  | 1.0                               | 0.7                               | 0.0                               | 0.0  | 0.0  |
| 3   | Pension Cost Differential Account                                 | 59.3                              | 78.9                              | 23.0                              | 8.0  | 8.0  |
| 4   | Tax Rate Changes Account  | (17.5)                            | (21.9)                            | (4.3)                             | (4.4)  | (4.4)  |
| 5   | OEB Cost Differential Account                                     | 0.0                               | 0.0                               | 0.0                               | (1.3)  | (1.3)  |
| 6   | Smart Meter Entity Charge Variance Account                        | 0.7                               | 0.5                               | 0.3                               | 0.3  | 0.3  |
| 7   | Revenue Offset Difference Account - Pole Attachment Charge        | 0.0                               | 0.0                               | 0.0                               | (2.3)  | (2.3)  |
| 8   | Bill Impact Mitigation Variance Account                           | 0.0                               | 0.0                               | 1.8                               | 2.3  | 2.4  |
| 9   | Microfit Connection Charge Variance Account                       | (1.6)                             | (2.4)                             | (0.8)                             | (0.8)  | (0.8)  |
| 10  | DG - Other Costs - HONI - Variance Account                        | (1.2)                             | (0.6)                             | 0.6                               | 0.6  | 0.6  |
| 11  | Smart Grid Variance Account                                       | (1.1)                             | (12.8)                            | (11.9)                            | (12.0)                                       | (12.1)                                       |
| 12  | DSC Exemption Deferral Account                                    | 6.6                               | 16.0                              | 9.5                               | 9.6  | 9.7  |
|   | <b>Total Regulatory Accounts seeking Disposition</b>              | <b>10.7</b>                       | <b>65.5</b>                       | <b>131.0</b>                      | <b>114.1</b>                                 | <b>115.3</b>                                 |
| (a) 2013 audited balances   |   |                                   |                                   |                                   |  |  |
| (b) 2014 audited balances   |   |                                   |                                   |                                   |  |  |
| (c) 2015 audited balances   |   |                                   |                                   |                                   |  |  |
| (d) 2016 forecasted balances includes forecast interest improvement |   |                                   |                                   |                                   |  |  |
| (e) 2017 forecasted balances includes forecast interest improvement |   |                                   |                                   |                                   |  |  |
| <b>Total Regulatory Accounts not Seeking Disposition</b>            |   |                                   |                                   |                                   |  |  |
| 1   | RRRP  | 2.3                               | 1.2                               | (1.8)                             | (0.0)  | (0.0)  |
| 2   | DG - Other Costs - Provincial Pool - Variance Account             | (48.1)                            | (64.0)                            | (60.5)                            | (53.0)                                       | (43.6)                                       |
| 3   | DG - Express Feeders - Provincial Pool - Variance Account         | (3.6)                             | (4.8)                             | (4.9)                             | (4.9)  | (4.9)  |
| 4   | Rider 2015-2017 - Disposition and Recovery of Regulatory Balances | 0.0                               | 0.0                               | 20.4                              | 7.2  | 0.0  |
| 5   | Revenue Difference Account - Pole Attachment Charge               | 0.0                               | 0.0                               | 0.0                               | 0.0  | 0.0  |
|   | <b>Total Regulatory Accounts not Seeking Disposition</b>          | <b>(49.4)</b>                     | <b>(67.7)</b>                     | <b>(46.8)</b>                     | <b>(50.7)</b>                                | <b>(48.5)</b>                                |
| <b>Total Discontinued Regulatory Accounts</b>                       |   |                                   |                                   |                                   |  |  |
| 1   | Special Purpose Charge Variance Account (SPC)                     | 0.2                               | 0.0                               | 0.0                               | 0.0  | 0.0  |
| 2   | Rider 9 - Disposition and Recovery of Regulatory Balances         | (19.1)                            | 0.0                               | 0.0                               | 0.0  | 0.0  |
| 3   | Smart Meters Minimum Functionality                                | (17.4)                            | (14.8)                            | 0.0                               | 0.0  | 0.0  |
| 4   | Smart Meters Exceeding Minimum Functionality                      | 21.4                              | 26.5                              | 0.0                               | 0.0  | 0.0  |
| 5   | DG - Express Feeders - HONI - Variance Account                    | (0.3)                             | (0.3)                             | (0.0)                             | (0.0)  | (0.0)  |
| 6   | Deferred Revenue Project Costs Account                            | (1.7)                             | (1.8)                             | 0.0                               | 0.0  | 0.0  |
| 7   | Generator Joint Use Revenue Deferral Account                      | (0.3)                             | (0.5)                             | 0.0                               | 0.0  | 0.0  |
| 8   | OEB Cost Differential Account                                     | 9.2                               | 12.1                              | 0.0                               | 0.0  | 0.0  |
|   | <b>Total Discontinued Regulatory Accounts</b>                     | <b>(8.1)</b>                      | <b>21.3</b>                       | <b>(0.0)</b>                      | <b>(0.0)</b>                                 | <b>(0.0)</b>                                 |
|   | <b>Total Regulatory Accounts</b>                                  | <b>(46.8)</b>                     | <b>19.2</b>                       | <b>84.2</b>                       | <b>63.5</b>                                  | <b>66.8</b>                                  |

1           **PLANNED DISPOSITION OF REGULATORY ACCOUNTS**

2  
3           **1.       INTRODUCTION**

4  
5       The purpose of this evidence is to outline the planned disposition of Hydro One  
6       Distribution's Regulatory Accounts. For details on the regulatory accounts Hydro One  
7       Distribution is not currently seeking recovery, refer to Section 2.3 of Exhibit F1, Tab 1,  
8       Schedule 1.

9  
10          **2.       PLANNED DISPOSITION OF REGULATORY ACCOUNTS**

11  
12       Hydro One Distribution is requesting disposition of its forecast Regulatory Account  
13       balances as at December 31, 2016, plus forecast interest for 2017 on the forecast principal  
14       balances as at December 31, 2016. Hydro One expects the Board's final decision on its  
15       approval of these accounts will be based on the audited 2016 year end balances which  
16       Hydro One will provide when they become available.

17  
18       It is expected that new distribution rates will be effective and implemented on January 1,  
19       2018, and that the disposition of the accounts requested will commence on that date.  
20       Hydro One Distribution's requested recovery of regulatory account balances totaling  
21       \$115.3 million is detailed in Table 1.

**Table 1: Disposition of Regulatory Account Balances (\$ Millions)**

| Description   | US of A<br>Account<br>Ref. | Forecast<br>Balance as at<br>Dec. 31, 2017 |
|---|----------------------------|--|
| Retail Settlement Variance Accounts                             | 1550 to 1589               | 115.1                                      |
| Retail Cost Variance Accounts                                   | 1518/1548                  | 0.0  |
| Pension Cost Differential Account                               | 1508                       | 8.0  |
| Tax Rate Changes Account  | 1592                       | (4.4)                                      |
| OEB Cost Differential Account                                   | 1508                       | (1.3)                                      |
| Smart Meter Entity Charge Variance Account                      | 1551                       | 0.3  |
| Revenue Offset Difference Account – Pole Attachment Charge      | 1508                       | (2.3)                                      |
| Bill Impact Mitigation Variance Account                         | 1508                       | 2.4  |
| Microfit Connection Charge Variance Account                     | 1508                       | (0.8)                                      |
| Distribution Generation - Other Costs - HONI - Variance Account | 1533                       | 0.6  |
| Smart Grid Variance Account                                     | 1536                       | (12.1)                                     |
| Distribution System Code (DSC) Exemption Deferral Account       | 1508                       | 9.7  |
| <b>Total Regulatory Accounts for Disposition</b>                |                            | <b>115.3</b>                               |

With the setting of new distribution rates between 2018 to 2022, Hydro One Distribution is requesting that the \$115.3 million balance be recovered in a straight-line pattern over this Application's five test years, as per the schedule of annual recoveries documented in Attachment 1 to this Exhibit. Requesting this balance recovery over five years aligns customer needs for lower bills, the financial needs of the Company and rate impact. Hydro One Distribution proposes that the balance be recovered through rate riders as presented in Exhibit H1, Tab 3, Schedule 1.

Witness: Samir Chhelavda

**HYDRO ONE NETWORKS INC.**  
**DISTRIBUTION**  
**Planned Disposition of Regulatory Accounts**  
Schedule of Annual Recoveries\*  
Year Ending December 31  
(\$ Millions)

| <b>Line<br/>No.</b> | <b>Particulars</b>                | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>Total</b> |
|---------------------|-----------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
|                     |                                   | (a)         | (b)         | (c)         | (d)         | (e)         | (f)          |
| 1                   | Adjustment to Revenue Requirement | 23.1        | 23.1        | 23.1        | 23.1        | 23.1        | 115.3        |

\* Note: Above figures do not include interest improvement during the recovery period

## REGULATORY ACCOUNTS REQUESTED

### 1. INTRODUCTION

This Exhibit documents Hydro One Distribution's request for the Board's approval to continue existing or to establish new regulatory accounts and to discontinue certain regulatory accounts.

#### 1.1 Requested Regulatory Accounts

Hydro One Distribution is seeking approval to continue or establish the following accounts:

- Pension Cost Differential Account
- Tax Rate Changes Account
- OEB Cost Differential Account
- Smart Meter Entity ("SME") Charge Variance Account
- Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")
- Capital In-Service Additions ("ISA") Variance Account
- Earnings Sharing Mechanism ("ESM") Deferral Account
- Bill Impact Mitigation Variance Account

The need for these accounts and the accounting and control process is described in further detail in the remainder of this Exhibit.

#### 1.2 Discontinued Regulatory Accounts

Hydro One Distribution is not seeking continuance of the following accounts for the 2018 to 2022 rate setting period:

- Rural or Remote Electricity Rate Protection ("RRRP") Variance Account;

Witness: Samir Chhelavda



- Bill Impact Mitigation Variance Account;
- Revenue Offset Difference Account – Pole Attachment Charge; and
- Revenue Difference Account – Pole Attachment Charge.

## **2. DESCRIPTION OF REGULATORY ACCOUNTS REQUESTED**

### **2.1 Pension Cost Differential Account**

This account is a continuation of the account accepted in EB-2013-0416.

Hydro One Distribution proposes to continue to record differences between the OM&A portion of actual pension costs recorded consistent with the actuarial assessment provided by Hydro One Distribution's external actuary and the estimated pension costs approved by the Board as part of this Application. The expected cause for such differences is a variance in pension plan contributions driven by periodic actuarial valuations, which must be performed at a minimum every three years. As such, it is not possible for Hydro One Distribution to accurately predict its pension costs for the entire five-year rate setting periods as it is likely that actuarial changes will occur. Such changes could be material. Further details regarding this account are found in Section 2.1.3 of Exhibit F1, Tab 1, Schedule 1.

### **2.2 Tax Rate Changes Account**

This account is a continuation of the account accepted in EB-2013-0416.

Hydro One Distribution proposes to continue to track variances arising from legislative or regulatory changes to tax rates or rules as compared to costs approved by the Board as part of this Application. Further details regarding this account are found in Section 2.1.4 of Exhibit F1, Tab 1, Schedule 1.

Witness: Samir Chhelavda

1     **2.3     OEB Cost Differential Account**

2     This account is a continuation of the account that was re-established per the Board's letter  
3     dated February 9, 2016, entitled "Revisions to the Ontario Energy Board Cost  
4     Assessment Model".

5  
6     Hydro One Distribution proposes to continue to track variances in annual Board  
7     assessment costs approved in rates and the actual Board cost assessment amounts charged  
8     to Hydro One Distribution. Further details regarding this account are found in Section  
9     2.1.5 of Exhibit F1, Tab 1, Schedule 1.

10  
11    **2.4     SME Charge Variance Account**

12    This account is a continuation of the account that was established consistent with the  
13    direction established in the Board's decision for proceeding EB-2012-0100/EB-2012-  
14    0211, dated March 28, 2013.

15  
16    The account was established to record the variances between the monthly settlement  
17    invoice received from the IESO, including accruals, and the amount billed to the  
18    distributor's customers for the SME charge, including accruals. The effective date of the  
19    account is May 1, 2013, to October 31, 2018. Further details regarding this account are  
20    found in Section 2.1.6 of Exhibit F1, Tab 1, Schedule 1.

21  
22    **2.5     Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")**

23    Hydro One Distribution proposes establishing Account 1568 - Lost Revenue Adjustment  
24    Mechanism Variance Account ("LRAMVA") effective January 1, 2018, consistent with  
25    the Board's Conservation and Demand Management ("CDM") Requirement Guidelines  
26    for Electricity Distributors updated August 11, 2016, to reflect the LRAMVA Report  
27    (EB-2016-0182).

Witness: Samir Chhelavda

1 Hydro One Distribution proposes to record the variance between the Board-approved  
2 CDM adjustment to Hydro One Distribution's load forecast in relation to the 2015 to  
3 2020 energy saving target and the IESO's actual verified CDM results. Since the IESO's  
4 verified CDM results will be a consolidated total for Hydro One, including the CDM  
5 results achieved by the Norfolk Power Distribution Inc., Haldimand County Hydro Inc.,  
6 and Woodstock Hydro Services Inc. ("Acquired Utilities"), Hydro One Distribution  
7 proposes applying an adjustment to remove the CDM amounts of the Acquired Utilities  
8 from the verified results provided for Hydro One until such time that these Acquired  
9 Utilities are incorporated into Hydro One Distribution rates.

10  
11 The variances recorded in this account will be put forward for disposition at the time of  
12 Hydro One Distribution's next rates rebasing application.

13  
14 **2.6 Capital In-Service Additions ("ISA") Variance Account**

15 Hydro One Distribution proposes the establishment of a capital in-service additions  
16 variance account, effective January 1, 2018, to track the difference between the revenue  
17 requirement associated with the actual in-service capital additions and the revenue  
18 requirement associated with the Board-approved in-service capital additions.

19  
20 Hydro One Distribution proposes to track the impact on revenue requirement of any  
21 capital in-service additions that are 98% of the Board-approved amount or less for each  
22 year of the five-year term, on a cumulative basis. For cumulative in-service additions  
23 that are 98% of the Board-approved level or less, the associated revenue requirement  
24 impact will be computed and reported on an annual basis in the variance account. The  
25 revenue requirement associated with variances in in-service additions resulting from  
26 verifiable productivity gains will be excluded from the calculation.

1 At the end of the five-year term, Hydro One Distribution will seek disposition of the sum  
2 of the variances in each year for the benefit of customers. The variance account will be  
3 asymmetrical; should the cumulative in-service additions in any year of the five-year  
4 term exceed 98% of the cumulative Board-approved amount, no entry will be made in the  
5 variance account.

## 6 7 **2.7 Earnings Sharing Mechanism (“ESM”) Deferral Account**

8 Hydro One Distribution proposes a new earnings sharing mechanism deferral account,  
9 effective January 1, 2018, to record any over-earnings realized during any year of the  
10 five-year term through Hydro One’s distribution rates. Hydro One Distribution proposes  
11 to share with customers 50% of any earnings that exceed the regulatory return on equity  
12 reflected in the Application by more than 100 basis points in any year of the five-year  
13 term.

14  
15 The customer share of the earnings will be adjusted for any tax impacts and will be  
16 credited to a new deferral account that will be put forward for disposition at the time of  
17 Hydro One Distribution’s next rates rebasing application.

## 18 19 **2.8 Bill Impact Mitigation Variance Account**

20 As a result of integrating customers from the Acquired Utilities into Hydro One  
21 Distribution’s existing rate classes in 2021, some customers may experience adverse total  
22 bill impacts in the test years 2021 and 2022. Hydro One Distribution proposes to mitigate  
23 these bill impacts through the use of this account, as described in Exhibit H1, Tab 4,  
24 Schedule 1. The proposed use of this account to track mitigation costs is consistent with  
25 bill impact mitigation variance accounts, proposed and approved by the Board in  
26 proceedings EB-2007-0681, EB-2009-0096, and EB-2013-0416.

Witness: Samir Chhelavda

1 The costs of mitigation and related implementation costs will be tracked in this bill  
2 impact mitigation variance account. The required mitigation will commence in 2021, the  
3 year in which Hydro One Distribution proposes the integration of the Acquired Utilities,  
4 however mitigation will likely extend beyond the Application's five-year period.

5  
6 **3.0 ACCOUNTING AND CONTROL PROCESS**

7  
8 The accounts requested above will be managed in the same manner as existing Hydro  
9 One Distribution variance and deferral accounts. They will be updated monthly and  
10 simple interest will be applied consistent with the Board-approved rate. Balances will be  
11 reported to the Board as part of the annual reporting process. The outstanding balances,  
12 whether in a debit or credit position, will be submitted for disposition approval by the  
13 Board as part of a future Hydro One Distribution filing. Draft accounting orders for the  
14 new accounts Hydro One Distribution is seeking to establish are presented in Appendix A  
15 to this Exhibit.

**APPENDIX A – PROPOSED ACCOUNTING ORDERS FOR NEW VARIANCE  
ACCOUNTS**

**Distribution Accounting Order – LRAM Variance Account**

Hydro One Distribution proposes the establishment of a “Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)” to record the differences between the Board-approved Conservation and Demand Management (“CDM”) adjustment to Hydro One Distribution’s load forecast (in relation to the 2015 to 2020 energy saving target) and the IESO’s actual verified CDM results, as documented in Section 2.5 above.

The account will be established as Account 1568, LRAMVA effective January 1, 2018. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. 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 variance account.

| <u>USofA #</u> | <u>Account Description</u>    |
|----------------|-------------------------------|
| DR/CR 1568     | LRAMVA                        |
| DR/CR 4080     | Distribution Services Revenue |

Initial entry to record the variance between the Board-approved CDM adjustment to the load forecast, and the actual CDM results.

|            |  |
|------------|--|
| DR/CR 1595 | Disposition and Recovery/Refund of Regulatory Balances |
|------------|--|

|            |        |
|------------|--------|
| DR/CR 1568 | LRAMVA |
|------------|--------|

To transfer the balance of the LRAMVA amount to a disposition account once approved for recovery.

Witness: Samir Chhelavda

**Distribution Accounting Order – Capital ISA Variance Account**

Hydro One Distribution proposes the establishment of a new “Capital In-Service Additions (“ISA”) Variance Account” to record the differences between the revenue requirement associated with the actual in-service capital additions and the revenue requirement associated with the Board-approved in-service capital additions, as documented in Section 2.6 above.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account “Capital ISA Variance Account” effective January 1, 2018. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. 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 variance account.

| <u>USofA #</u> | <u>Account Description</u>   |
|----------------|--|
| DR/CR 1508     | Other Regulatory Assets – Sub-Account “Capital ISA Variance Account” |

|            |                               |
|------------|-------------------------------|
| DR/CR 4080 | Distribution Services Revenue |
|------------|-------------------------------|

Initial entry to record the differences between the revenue requirement associated with the actual in-service capital additions during a rate year and the revenue requirement associated with the Board-approved in-service capital additions for that year.

|            |                        |
|------------|------------------------|
| DR/CR 6035 | Other Interest Expense |
|------------|------------------------|

|            |  |
|------------|--|
| DR/CR 1508 | Other Regulatory Assets – Sub-Account “Capital ISA Variance Account” |
|------------|--|

To record interest improvement on principal balance of Capital ISA variance account.

Witness: Samir Chhelavda

**Distribution Accounting Order – ESM Deferral Account**

Hydro One Distribution proposes the establishment of a new “Earnings Sharing Mechanism (“ESM”) Deferral Account” to record any over-earnings realized during any year of the five-year term through Hydro One’s distribution rates, as documented in Section 2.7 above.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2018. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. 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            |

Initial entry to record the over-earnings realized in any year of the five-year term.

|    |      |                                       |
|----|------|---------------------------------------|
| DR | 4395 | Rate-Payer Benefit Including Interest |
| CR | 2435 | Accrued Rate-Payer Benefit            |

To record interest improvement on principal balance of ESM deferral account.



**Distribution Accounting Order – Bill Impact Mitigation Variance**  
**Account**

Hydro One Distribution proposes the establishment of a new “Bill Impact Mitigation Variance Account” to track mitigation costs as a result of integrating customers from the Acquired Utilities into Hydro One’s existing rate classes in 2021, as documented in Section 2.8 above.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account “Bill Impact Mitigation Variance Account” effective January 1, 2021. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. 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 variance account.

|   | <u>USofA #</u> | <u>Account Description</u>  |
|---|----------------|---|
| DR  | 1508           | Other Regulatory Assets – Sub-Account “Bill Impact Mitigation Variance Account” |
| CR  | 1100           | Customer Accounts Receivable  |
| To record the mitigation costs resulting from the rate impact mitigation plan.                  |                |   |
| DR  | 1508           | Other Regulatory Assets – Sub-Account “Bill Impact Mitigation Variance Account” |
| CR  | 6035           | Other Interest Expense  |
| To record interest improvement on principal balance of Bill Impact Mitigation Variance Account. |                |   |

Witness: Samir Chhelavda