



EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

2018 Cost of Service

Hydro Hawkesbury Inc.
EB-2017-0048

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9.2 OVERVIEW

9.2.1 OVERVIEW

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

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

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

HHI proposes to dispose of a credit of \$542,103 related to Group 1 and debit of \$46,085 related to Group 2 Variance/Deferral Accounts. This credit includes carrying charges up to and including December 31, 2017. HHI also proposes to dispose of the following:

- A net balance of \$39,402 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account,

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

- 1 HHI has not made any adjustments to DVA balances that were previously approved by the
- 2 Board on a final basis in Cost of Service and/or IRM proceedings. ¹
- 3 HHI is not requesting any new accounts or sub-accounts at this time.
- 4 A breakdown of energy sales and cost of power expense balances, as reported in HHI's Audited
- 5 Financial Statements, is provided Section 9.10.2.
- 6 HHI confirms that it pro-rates the IESO Global Adjustment Charge into the RPP and Non-RPP
- 7 portions.

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

9.3 STATUS & DISPOSITION OF DEFERRAL & VARIANCE ACCOUNTS

9.3.1 DESCRIPTION OF DVA USED BY THE APPLICANT²

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

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

Table 1 - Account and Balances sought for Disposition/Recovery

		Amounts from Sheet 2	Allocator
LV Variance Account	1550	186,384	kWh
Smart Metering Entity Charge Variance Account	1551	(977)	# of Customers
RSVA - Wholesale Market Service Charge	1580	(345,244)	kWh
RSVA - Retail Transmission Network Charge	1584	132,817	kWh
RSVA - Retail Transmission Connection Charge	1586	151,496	kWh
RSVA - Power (excluding Global Adjustment)	1588	(723,802)	kWh
RSVA - Global Adjustment	1589	103,140	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2010)	1595	0	kWh
Disposition and Recovery/Refund of Regulatory Balances (2011)	1595	(0)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2012)	1595	(0)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	43,346	kWh
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	(19,620)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	33,496	kWh
Total of Group 1 Accounts (excluding 1589)		(542,103)	
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	23,786	# of Customers
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	0	# of Customers
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	0	# of Customers
Other Regulatory Assets - Sub-Account - Other	1508	0	# of Customers
Retail Cost Variance Account - Retail	1518	11,136	# of Customers

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

Misc. Deferred Debits	1525	0	# of Customers
Retail Cost Variance Account - STR	1548	11,163	# of Customers
Board-Approved CDM Variance Account	1567	0	# of Customers
Extra-Ordinary Event Costs	1572	0	# of Customers
Deferred Rate Impact Amounts	1574	0	# of Customers
RSVA - One-time	1582	0	# of Customers
Other Deferred Credits	2425	0	# of Customers
Total of Group 2 Accounts		46,085	
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	0	kWh
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	0	kWh
Total of Account 1592		0	
LRAM Variance Account (Enter dollar amount for each class)	1568	39,402	
(Account 1568 - total amount allocated to classes)		39,402	
Variance		0	
Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		514,043	
Total of Account 1580 and 1588 (not allocated to WMPs)		(1,069,046)	
Balance of Account 1589 Allocated to Non-WMPs		103,140	
Group 2 Accounts (including 1592, 1532)		46,085	

9.3.2 DISPOSITION OF DVAS USED BY THE APPLICANT³

Group 1 Accounts

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

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

1550 – LV Variance Account

For account 1550, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$186,384.

1551 – Smart Metering Entity Charge Variance Account

For account 1551, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$977.

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

For account 1580, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$345,244.

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

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

**1584 – Retail Settlement Variance Account – Retail Transmission Network Charges
("RSVANW")**

For account 1584, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$132,817.

**1586 – Retail Settlement Variance Account – Retail Transmission Connection Charges
("RSVACN")**

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

For account 1586, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$151,496.

1588 – Retail Settlement Variance Account – Power ("RSVAPOWER")

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

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

This account is not designed to capture any price differences between the regulated rice plan (RPP) and spot prices applicable to RPP customers. This is the function of the Ontario Power

Authority (OPA) RPP variance account which is trued-up in accordance with the terms established by the Board for the RPP.

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

For account 1588, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$723,802.

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

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

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

For account 1589, HHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$103,140.

1595 – Disposition and Recover/Refund of Regulatory Balances (2013)

RHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$43,346.

1595 – Disposition and Recover/Refund of Regulatory Balances (2014)

RHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$19,620.

1595 – Disposition and Recover/Refund of Regulatory Balances (2015)

RHI is requesting disposition of the December 31, 2016, audited balance. HHI attests that its audited balances for this account reconcile with filling 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$33,496.

Group 2 Accounts⁵

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

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

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

HHI has an audited balance in its IFRS transition cost account of \$23,786. All costs included in the account are fully incremental, and HHI does not have any IFRS transition costs approved in its current rate structure. All costs in the account are one-time costs related directly to the IFRS project.

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

- completed Appendix 2-YA

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

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

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

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

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

The analysis which was performed included the following services:

- ✓ Hands on Assistance: Property, Plant & Equipment Analysis
- ✓ Identify material PP&E accounts and perform the following analysis
- ✓ Identification of any components which require separate accounting
- ✓ Analysis of original cost and accumulated depreciation under CGAAP vs. IFRS
- ✓ Assess the remaining useful lives of assets
- ✓ Analyze depreciation under CGAAP vs. IFRS
- ✓ Develop a Fixed Asset Listing/Sub-Ledger for the account
- ✓ Assistance with changes to existing PP&E processes
- ✓ Assistance with communicating changes to your operations staff and consultants

Analysis of accounting for the following additional items:

- ✓ Regulatory Assets & Liabilities
- ✓ Customer Contributions
- ✓ Computer Software
- ✓ Impairment of Assets
- ✓ Deferred taxes

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

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

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

"The costs authorized for recording in the deferral or variance account referenced in the answers to questions 1 and 2 above shall be incremental one-time administrative costs

1 *caused by the transition of accounting policies, procedures, systems and processes to IFRS.*

2 *The incremental costs eligible for inclusion in these accounts may include professional*
3 *accounting and legal fees, salaries, wages and benefits of staff added to support the*
4 *transition to IFRS and associated staff training and development costs.*

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

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

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

19 HHI's costs associated with the conversion to IFRS relate solely to professional accounting and
20 as such meet the criterion of the APH.

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

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

4 **1548STR & 1518 Retail – Retail Cost Variance Account**

5 The Retail Cost Variance Account – STR is used to record the revenues derived, including
6 accruals, from the Service Transaction Request services and charged by the distributor, in the
7 form of a request fee, processing fee, information request fee, default fee, and other associated
8 costs. The account also includes the cost of labour, internal information system maintenance
9 costs, and delivery costs related to the provision of the services associated with the service
10 transaction request services. The following table displays actual income and expenses from 2011
11 to 2015, with estimated values for 2017 and 2018.

12 HHI is requesting disposition of the December 31, 2016 audited balance. The December 31,
13 2015 audited balance reconciles with filing 2.1.7 of the RRR. The balance for account 1548
14 requested for disposal, including carrying charges is a debit of \$11,163. The balance for account
15 1518 requested for disposal, including carrying charges is a debit of \$11,136.

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

9.3.3 INTEREST RATE APPLIED

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

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

<i>Period</i>	<i>Interest Rate</i>
Q1 2011 (Actual)	1.47%
Q2 2011 (Actual)	1.47%
Q3 2011 (Actual)	1.47%
Q4 2011 (Actual)	1.47%
Q1 2012 (Actual)	1.47%
Q2 2012 (Actual)	1.47%
Q3 2012 (Actual)	1.47%
Q4 2012 (Actual)	1.47%
Q1 2013 (Actual)	1.47%
Q2 2013 (Actual)	1.47%
Q3 2013 (Actual)	1.47%
Q4 2013 (Actual)	1.47%
Q1 2014 (Actual)	1.47%
Q2 2014 (Actual)	1.47%
Q3 2014 (Actual)	1.47%
Q4 2014 (Actual)	1.47%
Q1 2015 (Actual)	1.47%
Q2 2015 (Actual)	1.10%
Q3 2015 (Actual)	1.10%
Q4 2015 (Actual)	1.10%
Q1 2016 (Actual)	1.10%
Q2 2016 (Actual)	1.10%
Q3 2016 (Actual)	1.10%
Q4 2016 (Actual)	1.10%
Q1 2017 (Actual)	1.10%
Q2 2017 (Proj)	1.10%

Note that HHI has used the latest OEB prescribed interest rates as published on the website at:

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

1 <http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Rules+Codes+Guidelines+and+Forms/Prescribed+Interest+Rates>

3 Closing Interest Balances as of December 31, 2016, Adjusted for Dispositions during 2016 are
4 detailed in the table below:

5

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

<i>Account Descriptions</i>	<i>Account Number</i>	<i>Closing Principal Balance as of Dec-31-16</i>	<i>Closing Interest Amounts as of Dec-31-16</i>	<i>Total Claim</i>
<i>Group 1 Accounts</i>				
<i>LV Variance Account</i>	1550	\$182,353	\$2,025	\$186,384.46
<i>Smart Metering Entity Charge Variance Account</i>	1551	-\$961	-\$6	-\$977.15
<i>RSVA - Wholesale Market Service Charge¹⁰</i>	1580	-\$206,278	-\$3,656	-\$212,203.04
<i>Variance WMS – Sub-account CBR Class B¹⁰</i>	1580	-\$130,769	-\$833	-\$133,040.99
<i>RSVA - Retail Transmission Network Charge</i>	1584	\$130,198	\$1,188	\$132,817.18
<i>RSVA - Retail Transmission Connection Charge</i>	1586	\$148,718	\$1,142	\$151,495.69
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	-\$714,572	-\$1,369	-\$723,801.70
<i>RSVA - Global Adjustment</i>	1589	\$107,376	-\$5,418	\$103,139.78
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)⁸</i>	1595	\$16,351	\$26,815	\$43,345.95
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)⁸</i>	1595	\$21,099	-\$40,951	-\$19,619.50
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)⁸</i>	1595	\$8,691	\$24,710	\$33,496.20
<i>Not to be disposed of unless rate rider has expired and balance has been audited</i>				
<i>Group 1 Sub-Total (including Account 1589 - Global Adjustment)</i>		-\$437,794	\$3,647	-\$438,963.12
<i>Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)</i>		-\$545,170	\$9,064	-\$542,102.90
<i>RSVA - Global Adjustment</i>	1589	\$107,376	-\$5,418	\$103,139.78
<i>Group 2 Accounts</i>				
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	\$7,104	\$16,604	\$23,785.92
<i>Retail Cost Variance Account - Retail</i>	1518	\$10,705	\$313	\$11,135.68
<i>Retail Cost Variance Account - STR</i>	1548	\$10,755	\$289	\$11,163.05
<i>Group 2 Sub-Total</i>		\$28,564	\$17,206	\$46,084.65
<i>Total of Group 1 and Group 2 Accounts (including 1592)</i>		-\$409,230	\$20,853	-\$392,878.47
<i>LRAM Variance Account¹²</i>	1568	\$39,039	\$363	\$39,402.23
<i>Total including Account 1568</i>		-\$370,191	\$21,216	-\$353,476.24
<i>Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs⁵</i>	1555	-\$7,382	\$209	-\$7,254.10

9.3.4 DEPARTURE FROM BOARD APPROVED BALANCES

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

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

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

Please refer to the table below for a reconciliation of the 2016 RRR 2.1.7 with the 2016 Financial Statements. ⁸ Mapping of the 2016 Financial Statements and the RRR 2.1.7 are presented in Exhibit 1.

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

<i>Power Supply Expenses</i>	<i>2016</i>
<i>4705-Power Purchased</i>	8,438,022
<i>4707-Global Adjustment</i>	0
<i>4708-Charges-WMS</i>	758,950
<i>4710-Cost of Power Adjustments</i>	0
<i>4712-Charges-One-Time</i>	0
<i>4714-Charges-NW</i>	988,130
<i>4715-System Control and Load Dispatching</i>	0
<i>4716-Charges-CN</i>	466,429
<i>4720-Other Expenses</i>	0
<i>4725-Competition Transition Expense</i>	0
<i>4730-Rural Rate Assistance Expense</i>	0
<i>4750-Charges - LV</i>	90,976

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

<i>4751-IESO Smart Meter Entity Expenses</i>	51,237
<i>Total</i>	10,793,746

1

<i>Sales of Electricity</i>	<i>2016</i>
<i>4006-Residential Energy Sales</i>	-5250813.42
<i>4010-Commercial Energy Sales</i>	0
<i>4015-Industrial Energy Sales</i>	0
<i>4020-Energy Sales to Large Users</i>	0
<i>4025-Street Lighting Energy Sales</i>	-8,499
<i>4030-Sentinel Lighting Energy Sales</i>	-8,685
<i>4035-General Energy Sales</i>	-3,015,338
<i>4040-Other Energy Sales to Public Authorities</i>	0
<i>4045-Energy Sales to Railroads and Railways</i>	0
<i>4050-Revenue Adjustment</i>	0
<i>4055-Energy Sales for Resale</i>	-154,685
<i>4060-Interdepartmental Energy Sales</i>	0
<i>4062-Billed WMS</i>	-758,950
<i>4064-Billed One-Time</i>	0
<i>4066-Billed NW</i>	-988,130
<i>4068-Billed CN</i>	-466,429
<i>4071-Charges – Smart Metering Entity Charge</i>	0
<i>4075-Billed - LV</i>	-90,976
<i>4076-IESO Smart Meter Entity Billed</i>	-51,237
<i>Total</i>	-10,793,746

2

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

9.3.6 PROPOSED CHARGE PARAMETERS

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

Table 5 - Summary of Proposed Charge Parameters

	Allocator	
<i>LV Variance Account</i>	1550	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	kWh
<i>RSVA - Global Adjustment</i>	1589	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	kWh
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	kWh
<i>Retail Cost Variance Account - STR</i>	1548	kWh
<i>LRAM Variance Account (Enter dollar amount for each class)</i>	1568	kWh

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

9.4 DERIVATION OF COST OF POWER

9.4.1 BREAKDOWN OF THE COST OF POWER

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

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

The components of HHI's cost of power are summarized in Table 6 below and detailed in Table 9 to 18;

Table 6 – Summary of Cost of Power

CoP Components	Total \$
<i>Commodity</i>	\$16,934,748
<i>Transmission Network</i>	\$1,136,614
<i>Transmission Connection</i>	\$587,110
<i>Wholesale Market Service</i>	\$551,228
<i>Rural Rate Protection</i>	\$45,936
<i>Smart Meter Entity Charge</i>	\$52,541
<i>Low Voltage</i>	\$211,425
TOTAL	\$19,519,602

1

Table 7 - Calculation of Commodity

<i>Customer Class Name</i>	<i>Last Actual kWh's</i>	<i>non-RPP</i>	<i>RPP</i>
<i>Residential</i>	48,033,529	1,304,037	46,729,492
<i>General Service < 50 kW</i>	18,569,272	2,562,886	16,006,386
<i>General Service > 50 to 4999 kW</i>	73,896,610	73,896,610	-0
<i>Unmetered Scattered Load</i>	293,553	-	293,553
<i>Sentinel Lighting</i>	88,568	4,458	84,110
<i>Street Lighting</i>	643,599	643,599	-0
<i>other</i>	-	-	0
<i>other</i>	-	-	0
<i>other</i>	-	-	0
TOTAL	140,881,533	77,767,991	63,113,542
%	100.00%	55.20%	44.80%
<u><i>Forecast Price</i></u>			
<i>HOEP (\$/MWh)</i>		\$24.63	
<i>Global Adjustment (\$/MWh)</i>		\$84.50	
<i>Adjustments</i>			
TOTAL (\$/MWh)		\$109.13	\$112.39
\$/kWh		\$0.10913	\$0.11239
%		55.20%	44.80%
WEIGHTED AVERAGE PRICE	\$0.1106	\$0.0602	\$0.0506

2

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

Table 8 - RPP Supply Cost Summary

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

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

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

Table 9 - Transmission Network

Customer <i>Class Name</i>	2017			2018		
	Volume	Rate	Amount	Volume	Rate	Amount
<i>Residential</i>	kWh 52,857,999	0.0072	\$381,051	49,928,066	0.0078	\$387,863
<i>General Service < 50 kW</i>	kWh 19,885,125	0.0066	\$131,237	18,782,887	0.0071	\$133,583
<i>General Service > 50 to 4999 kW</i>	kW 188,567	2.6887	\$507,007	211,046	2.8974	\$611,487
<i>Unmetered Scattered Load</i>	kWh 309,434	0.0066	\$2,042	444,435	0.0071	\$3,161
<i>Sentinel Lighting</i>	kW 265	2.0285	\$538	238	2.1860	\$521
<i>Street Lighting</i>	kW 1,849	2.0279	\$3,749	1,844	2.1853	\$4,029
TOTAL	73,241,390		\$1,021,874	69,366,673		\$1,136,614

The Transmission Network charges are calculated in the OEB's RTSR model. The Rates are applied to the 2018 Load Forecast to determine the amount to be included in the Cost of Power. The RTSR model is filed in conjunction with this application. The transmission network charges included in the Cost of Power for 2018 is projected at \$1,054,756.

Table 10 - Transmission Connection

Customer <i>Class Name</i>	2017			2018		
	Volume	Rate	Amount	Volume	Rate	Amount
<i>Residential</i>	kWh 52,857,999	0.0036	\$189,733	49,928,066	0.0041	\$204,172
<i>General Service < 50 kW</i>	kWh 19,885,125	0.0032	\$62,980	18,782,887	0.0036	\$67,773
<i>General Service > 50 to 4999 kW</i>	kW 188,567	1.3018	\$245,480	211,046	1.4831	\$313,003
<i>Unmetered Scattered Load</i>	kWh 309,434	0.0032	\$980	444,435	0.0036	\$1,604
<i>Sentinel Lighting</i>	kW 265	2.0549	\$545	238	2.3410	\$558
<i>Street Lighting</i>	kW 1,849	1.0063	\$1,860	1,844	1.1465	\$2,114
TOTAL	73,241,390		\$499,717	69,366,673		\$587,110

The Transmission Connection charges are also calculated in the OEB's RTSR model. The Rates are applied to the 2018 Load Forecast to determine the amount to be included in the Cost of Power. The RTSR model is filed in conjunction with this application. The transmission connection charges included in the Cost of Power for 2018 is projected at \$515,346.

Table 11 - Wholesale Market

Customer <i>Class Name</i>	2017			2018		
	Volume	rate (\$/kWh): 0.0052	Amount	Volume	rate (\$/kWh): 0.0052	Amount
<i>Residential</i>	kWh 52,857,999	0.00360	\$190,289	49,928,066	0.00360	\$179,741
<i>General Service < 50 kW</i>	kWh 19,885,125	0.00360	\$71,586	18,782,887	0.00360	\$67,618
<i>General Service > 50 to 4999 kW</i>	kWh 88,798,720	0.00360	\$319,675	83,876,583	0.00360	\$301,956
<i>Unmetered Scattered Load</i>	kWh 309,434	0.00360	\$1,114	444,435	0.00360	\$1,600
<i>Sentinel Lighting</i>	kWh 93,360	0.00360	\$336	86,990	0.00360	\$313
<i>Street Lighting</i>	kWh 678,417	0.00360	\$2,442	664,563	0.00360	\$2,392
TOTAL	161,944,638		\$583,001	153,118,961		\$551,228

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

- The WMS rate used by rate-regulated distributors to bill their customers shall be \$0.0032 per kilowatt-hour, effective January 1, 2017. For Class B customers, a CBR component of \$0.0004 per kilowatt-hour shall be added to the WMS rate for a total of \$0.0036 per

kilowatt-hour. For Class A customers, distributors shall bill the actual CBR costs to Class A customers in proportion to their contribution to peak.

In compliance with this order, HHI has applied the Board Approved \$0.0036/kWh to its 2018 Load Forecast to include \$551,228 in its Cost of Power.

Table 12 - Remote Electricity Rate Protection

Customer <i>Class Name</i>	2017				2018		
	rate (\$/kWh):				rate (\$/kWh):		
	Volume		Amount		Volume		Amount
<i>Residential</i>	kWh 52,857,999	0.00130	\$68,715		49,928,066	0.00030	\$14,978
<i>General Service < 50 kW</i>	kWh 19,885,125	0.00130	\$25,851		18,782,887	0.00030	\$5,635
<i>General Service > 50 to 4999 kW</i>	kWh 88,798,720	0.00130	\$115,438		83,876,583	0.00030	\$25,163
<i>Unmetered Scattered Load</i>	kWh 309,434	0.00130	\$402		444,435	0.00030	\$133
<i>Sentinel Lighting</i>	kWh 93,360	0.00130	\$121		86,990	0.00030	\$26
<i>Street Lighting</i>	kWh 678,417	0.00130	\$882		664,563	0.00030	\$199
TOTAL	161,944,638		\$210,528		153,118,961		\$45,936

On June 22, 2017, the OEB released Decision and Order for the Rural or Remote Electricity Rate Protection (RRRP) effective January 1, 2017. The Board's decision is summarized as follows:

Determining the July 1, 2017 RRRP charge

The RRRP amount required to be collected from ratepayers for the balance of 2017 is \$17.23 million. The IESO's full-year 2017 energy forecast was 134.3 TWh. As an updated forecast for the remainder of 2017 is not available, the calculation assumes 50% of the full-year forecast, or 67.15 TWh is outstanding. The resulting rounded RRRP rate is calculated to decrease from the current 2017 rate of \$0.0021 per kilowatt-hour to \$0.0003 per kilowatt-hour.

In compliance with this order, HHI has applied the Board Approved \$0.0003/kWh to its 2018 Load Forecast to include \$45,936 in its Cost of Power.

Table 13 - Smart Meter Entity

Customer Class Name	2017				2018			
	rate (\$/kWh):		rate (\$/kWh):		rate (\$/kWh):		rate (\$/kWh):	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Residential	kWh 4,830	0.79000 \$45,788	4,836	0.79000 \$45,845				
General Service < 50 kW	kWh 613	0.79000 \$5,814	618	0.79000 \$5,854				
General Service > 50 to 4999 kW	kW 88	0.79000 \$833	89	0.79000 \$842				
TOTAL	5,531	\$52,435	5,542	\$52,541				

In compliance with this order, HHI has applied the Board Approved \$0.79/kWh to its 2018 Customer Forecast to include \$52,541 in its Cost of Power.

Low Voltage Charges:

The table below presents the derivation of proposed retail rates for Low Voltage ("LV") service. The 2018 estimates of total LV charges were calculated based on an average of the last 2 years. The projections were allocated to customer classes, according to each class' share of projected Transmission-Connection revenue, in accordance with Board policy. The resulting allocated LV charges for each class were divided by the applicable 2018 volumes from the load forecast, as presented in Exhibit 3. Current LV revenues are recovered through a separate rate adder and therefore are not embedded within the approved Distribution Volumetric rate. 2018 LV rates appear on a distinct line item on the proposed schedule of rates. The Low Voltage charges included in the Cost of Power for 2018 is projected at \$212,295.

1

Table 14 - Low Voltage Charges

				2014	2015	2016	2017	2018
4075-Billed - LV				(\$51,804)	(\$51,300)	\$90,976	\$90,976	\$90,976
4750-Charges - LV				\$85,933	\$89,485	\$211,136	\$211,136	\$211,136

Low Voltage Charges - Allocation of LV Charges based on Transmission Connection Revenues

ALLOCATION BASED ON TRANSMISSION-CONNECTION REVENUES					
Customer Class Name		RTSR Rate	Not Uplifted Volumes	Revenue	% Alloc
Residential	kWh	\$0.0036	48,228,173	\$173,114	0.16%
General Service < 50 kW	kWh	\$0.0032	18,143,390	\$57,464	0.05%
General Service > 50 to 4999 kW	kW	\$1.3018	81,020,851	\$105,474,557	99.01%
Unmetered Scattered Load	kWh	\$0.0032	262,147	\$830	0.00%
Sentinel Lighting	kW	\$2.0549	87,040	\$178,856	0.17%
Street Lighting	kW	\$1.0063	641,819	\$645,878	0.61%
TOTAL			148,383,424	\$106,530,699	100.00%

Low Voltage Charges Rate Rider Calculations

PROPOSED LOW VOLTAGE CHARGES & RATES					
	% Allocation	Charges	Not Uplifted Volumes	Rate	per
Residential	0.16%	343	48,228,173	\$0.0000	kWh
General Service < 50 kW	0.05%	114	18,143,390	\$0.0000	kWh
General Service > 50 to 4999 kW	99.01%	209,043	81,020,851	\$0.0026	kW
Unmetered Scattered Load	0.00%	2	262,147	\$0.0000	kWh
Sentinel Lighting	0.17%	354	87,040	\$0.0041	kW
Street Lighting	0.61%	1,280	641,819	\$0.0020	kW
TOTAL	100.00%	211,136	148,383,424		

Low Voltage Charges to be added to power supply expense for bridge and test year.

Customer		Revenue	Expense	2014			2015		
Class Name		USA #	USA #	Volume		Amount	Volume	Rate	Amount
Residential	kWh	4075	4750	50,145,146	\$0.0007	\$35,102	48,228,173	\$0.0000	\$0
General Service < 50 kW	kWh	4075	4750	18,272,511	\$0.0006	\$10,964	18,143,390	\$0.0000	\$0
General Service > 50 to 4999 kW	kW	4075	4750	212,547	\$0.2419	\$51,415	81,020,851	\$0.0026	\$210,654
Unmetered Scattered Load	kWh	4075	4750	293,553	\$0.0006	\$176	262,147	\$0.0000	\$0
Sentinel Lighting	kW	4075	4750	249	\$0.3818	\$95	87,040	\$0.0041	\$357
Street Lighting	kW	4075	4750	1,857	\$0.1870	\$347	641,819	\$0.0020	\$1,284
TOTAL		0	0	68,925,865		\$98,099	148,383,424		\$212,295

2

9.5 RETAIL SERVICE CHARGE

9.5.1 OVERVIEW⁹¹⁰

HHI has a balance of \$11,136 in accounts 1518 and a balance of \$11,163 in account 1548. HHI attests that it has followed Article 490 of the Accounting Procedure Handbook which is summarized below.

With respect to Account 1518, APH Article 220 states:

1518 RCVA Retail

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

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

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

AND

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

With respect to Account 1548, APH Article 220 states:

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

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

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

1548 RCVASTR

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

1) Revenues derived, including accruals, from the Service Transaction Request services and charged by the distributor, as prescribed, in the form of

- (i) Request fee;
- (ii) Processing fee;
- (iii) Information Request fee;
- (iv) Default fee; and
- (v) Other Associated Costs fee;

AND

2) The incremental cost of labour, internal information system maintenance costs, and delivery costs related to the provision of the services associated with the above items.

Table 15 below shows the breakdown of the account balances sought for disposition.

Table 15 - Income/Expense of Providing Retail Services

		2013	2014	2015	2016	2017
1518-000	Retail Cost Variance Account (RCVA) - Retail					
4082-000	Retails Services Revenues	(7,092.40)	(6,728.40)	(6,397.40)	(5,777.00)	-
4083-000	Retails Services Expenses	9,778.92	10,433.76	10,433.76	6,053.40	-
<i>Annual total</i>		2,686.52	3,705.36	4,036.36	276.40	-
<i>Cumulative</i>		2,686.52	6,391.88	10,428.24	10,704.64	10,704.64
1518-010	RCVA - Retail - Carrying Charges	19.32	72.96	98.99	122.02	117.75
<i>Annual total</i>		19.32	72.96	98.99	122.02	117.75
<i>Cumulative</i>		19.32	92.28	191.27	313.29	431.04
1518		2,705.84	6,484.16	10,619.51	11,017.93	11,135.68

1548-000	Retail Cost Variance Account (RCVA) - STR					
4084-000	Service Transaction Requests (STR) Revenues	(106.25)	(80.50)	(104.25)	(109.50)	-
4085-000	Service Transaction Requests (STR) Expenses	2,673.37	2,753.52	2,836.08	2,892.84	-
<i>Annual total</i>		2,567.12	2,673.02	2,731.83	2,783.34	-
<i>Cumulative</i>		2,567.12	5,240.14	7,971.97	10,755.31	10,755.31
1548-010	RCVA - STR - Carrying Charges	17.97	90.88	77.24	103.34	118.31
<i>Annual total</i>		17.97	90.88	77.24	103.34	118.31
<i>Cumulative</i>		17.97	108.85	186.09	289.43	407.74
1548		2,585.09	5,348.99	8,158.06	11,044.74	11,163.05

9.6 ONE-TIME INCREMENTAL IFRS COST

9.6.1 OVERVIEW OF ONE TIME COSTS

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

9.7 ACCOUNT 1575 IFRS-CGAAP TRANSITIONAL PP&E AMOUNT

9.7.1 OVERVIEW¹¹

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

9.8 ACCOUNT 1576, ACCOUNTING CHANGES UNDER CGAAP

9.8.1 OVERVIEW

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

¹¹ MFR - 1575 IFRS-CGAAP PP&E account

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

- explanation for the basis of the proposed disposition period to clear Account 1575 rate rider
- show the balance in DVA continuity schedule

¹² MFR - Changes to depreciation and capitalization in 2012 or 2013 - Account 1576 IFRS-CGAAP PP&E

- Appendix 2-BA must not be adjusted for 1576
- breakdown of balance related to 1576, Appendix 2-EB or 2-EC
- drivers of change in closing net PP&E identified and quantified
- volumetric rate rider to clear 1576; the rider for the residential class must be on a fixed basis

9.9 DIST DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

9.9.1 DVA BALANCES

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

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

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

Table 16 - DVA Balances sought for Disposition

		Balances	Allocator
LV Variance Account	1550	186,384	kWh
Smart Metering Entity Charge Variance Account	1551	(977)	# of Customers
RSVA - Wholesale Market Service Charge	1580	(345,244)	kWh
RSVA - Retail Transmission Network Charge	1584	132,817	kWh
RSVA - Retail Transmission Connection Charge	1586	151,496	kWh
RSVA - Power (excluding Global Adjustment)	1588	(723,802)	kWh
RSVA - Global Adjustment	1589	103,140	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	43,346	kWh
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	(19,620)	kWh
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	33,496	kWh
Total of Group 1 Accounts (excluding 1589)		(542,103)	

-
- rate of return component is to be applied to 1576 but not recorded in 1576
 - statement confirming no carrying charges applied to 1576
 - explanation for the basis of the proposed disposition period to clear Account 1576 rate rider

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

Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	23,786	kWh
Other Regulatory Assets - Sub-Account - Other	1508	0	kWh
Retail Cost Variance Account - Retail	1518	11,136	kWh
Retail Cost Variance Account - STR	1548	11,163	kWh
Total of Group 2 Accounts		46,085	

LRAM Variance Account (Enter dollar amount for each class)	1568	39,402	kWh
(Account 1568 - total amount allocated to classes)		39,402	
Variance		0	

Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
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Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)	527,920	
Total of Account 1580 and 1588 (not allocated to WMPs)	(1,069,046)	
Balance of Account 1589 Allocated to Non-WMPs	103,140	

Group 2 Accounts (including 1592, 1532)	46,085	
--	---------------	--

IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	0	kWh
Total Balance Allocated to each class for Accounts 1575 and 1576		0	

Account 1589 reference calculation by customer and consumption	
Account 1589 / Number of Customers	\$15.16
1589/total kwh	\$0.0007

- 1 HHI does not have any Market Participant, and as such, it does not need to establish separate
- 2 rate riders to recover balances in the RSVA's from Market Participants who must not be
- 3 allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.¹⁴

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

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

3 Please note that the since the utility is in the process of having its account 1595 audited by the
4 OEB, the utility is not proposing to dispose of its balances until the audit has been completed.
5 The utility proposes instead to either update its application during the course of this proceeding
6 or postponing disposition of account 1595 until its 2019 rate application, depending on when
7 the 1595 audit is complete.

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

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

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

9.9.2 CALCULATION OF RATE RIDER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1

Table 17 - Deferral and Variance Rate Riders²¹

1550, 1551, 1584, 1586, 1595

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL	kWh	48,228,173	\$171,587	0.0036
GENERAL SERVICE < 50 KW	kWh	18,143,390	\$64,551	0.0036
GENERAL SERVICE > 50 TO 4999 KW	kW	211,045	\$288,257	1.3659
UNMETERED SCATTERED LOAD	kWh	262,147	\$933	0.0036
SENTINEL LIGHTING	kW	247	\$310	1.2525
STREET LIGHTING	kW	1,844	\$2,283	1.2387
Total			\$527,920	

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

1580 and 1588

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL	kWh	48,228,173	-\$347,466	-0.0072
GENERAL SERVICE < 50 KW	kWh	18,143,390	-\$130,716	-0.0072
GENERAL SERVICE > 50 TO 4999 KW	kW	211,045	-\$583,724	-2.7659
UNMETERED SCATTERED LOAD	kWh	262,147	-\$1,889	-0.0072
SENTINEL LIGHTING	kW	247	-\$627	-2.5364
STREET LIGHTING	kW	1,844	-\$4,624	-2.5083
Total			-\$1,069,046	

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

Rate Rider Calculation for RSVA - Power - Global Adjustment

Balance of Account 1589 Allocated to Non-WMPs

Rate Class (Enter Rate Classes in cells below)	Units	kWh	Balance of RSVA - Power - Global Adjustment	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL	kWh	1,304,037	\$1,715	0.0013
GENERAL SERVICE < 50 KW	kWh	2,562,886	\$3,371	0.0013
GENERAL SERVICE > 50 TO 4999 KW	kWh	73,896,610	\$97,201	0.0013
UNMETERED SCATTERED LOAD	kWh	-	\$-	-
SENTINEL LIGHTING	kWh	4,458	\$6	0.0013
STREET LIGHTING	kWh	643,599	\$847	0.0013
Total			\$103,140	

Rate Rider Calculation for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Balance of Group 2 Accounts	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL	# of Customers	4,825	\$11,728	\$0.20
GENERAL SERVICE < 50 KW	kWh	18,143,390	\$4,412	\$0.0002
GENERAL SERVICE > 50 TO 4999 KW	kW	211,045	\$19,703	\$0.0934
UNMETERED SCATTERED LOAD	kWh	262,147	\$64	\$0.0002
SENTINEL LIGHTING	kW	247	\$21	\$0.0856
STREET LIGHTING	kW	1,844	\$156	\$0.0847
Total			\$46,085	

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2

Rate Rider Calculation for Accounts 1568

Please indicate the Rate Rider Recovery Period (in years)

1

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Balance of Account 1568	Rate Rider for Account 1568
RESIDENTIAL	kWh	48,228,173	\$12,807	0.0003
GENERAL SERVICE < 50 KW	kWh	18,143,390	\$4,818	0.0003
GENERAL SERVICE > 50 TO 4999 KW	kW	211,045	\$21,515	0.1019
UNMETERED SCATTERED LOAD	kWh	262,147	\$70	0.0003
SENTINEL LIGHTING	kW	247	\$23	0.0935
STREET LIGHTING	kW	1,844	\$170	0.0924
Total			\$39,402	

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9.10 GLOBAL ADJUSTMENT

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

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

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

9.10.2 DERIVATION AND CALCULATION OF THE GA RATE RIDER

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

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

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

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

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

9.10.3 GLOBAL ADJUSTMENT AND THE IESO SETTLEMENT PROCESS ²⁵

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

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

HHI's process can be summarized as follows.

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

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

In terms of Control and Oversight, HHI follows a substantive approach using reconciliation procedures to ensure accuracy and completeness for the settlement submission process where

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

1 possible. In addition, HHI does monthly bill testing for each class of customer, recalculates the
2 various charges based on approved rates and ensure all correct GL accounts are used. HHI also
3 has routine month end balancing processes to ensure sub ledger accuracy.

4 HHI does not have its own embedded generation. However, HHI does have Fit/MicroFITs for
5 which, the kWh generated is reported to the IESO as actual on peak and off peak kWh
6 generation. The difference between the contracted IESO price and the WAP is reported on the
7 1598 monthly submission and the difference is credited back to the LDC on the IESO monthly
8 invoice.

9.11 OTHER RATE RIDERS INCLUDING NEW RATE RIDERS

9.11.1 REQUEST FOR NEW VARIANCE ACCOUNT

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

APPENDICES

Appendix A	OEB-Appendix 2-Y

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

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

File Number: EB-2017-0048
 Exhibit:
 Tab:
 Schedule:
 Page:
 Date:

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

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

Nature of One-Time Incremental IFRS Transition Costs ¹	Audited Actual Costs Incurred 2012	Audited Actual Costs Incurred 2013	Audited Actual Costs Incurred 2014	Audited Actual Costs Incurred 2015	Audited Carrying Charges To December 31, 2015	Forecasted Costs 2016	Forecasted Costs 2017 ³	Carrying Charges January 1, 2016 to December 31, 2016/April 30, 2017 (As appropriate)	Total Costs and Carrying Charges	Reasons why the costs recorded meet the criteria of one-time IFRS administrative incremental costs
Professional accounting fees	\$ 5,157	\$ 2,090	\$ 16,298	\$ 163					\$ 23,708	Direct result from adoption of MIFRS
Professional legal fees									\$ -	
Salaries, wages and benefits of staff added to support the transition to IFRS									\$ -	
Associated staff training and development costs									\$ -	
Costs related to system upgrades, or replacements or changes where IFRS was the major reason for conversion									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
Amounts, if any, included in previous Board approved rates (amounts should be negative) ²									\$ -	
									\$ -	
Insert description of additional item(s) and new rows if needed.									\$ -	
Total	\$ 5,157	\$ 2,090		\$ 163	\$ -		\$ -		\$ 23,708	

- Note:**
- The Deferred IFRS Transition Costs Account and the IFRS Transition Costs Variance Account are exclusively for necessary, incremental transition costs and shall not include ongoing IFRS compliance costs or impacts arising from adopting accounting policy changes that reflect changes in the timing of the recognition of income. The incremental costs in these accounts shall not include costs related to system upgrades, or replacements or changes where IFRS was not the major reason for conversion. In addition, incremental IFRS costs shall not include capital assets or expenditures.
 - If there were any amounts approved in previous Board approved rates, please state the EB #.
 - Any forecasted One-time costs past 2015 should be fully explained in the application, since distributors were required to adopt IFRS or an alternative accounting standard by January 1, 2015.