



EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

2019 Cost of Service

Chapleau Public Utilities Corporation
EB-2018-0087

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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. CPUC 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 the account balance shown in Table 1 reconciles with the trial balance reported through the Electricity Reporting and Record-keeping Requirements and CPUC's Audited Financial Statements.

CPUC 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.

CPUC proposes to dispose of a debit of \$53,978 related to Group 1 and debit of \$76,737 related to Group 2 Variance/Deferral Accounts. This credit includes carrying charges up to and including December 31, 2017. CPUC also proposes to dispose of the following:

- A net balance of \$17,719 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 3 years. CPUC has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

- 1 CPUC has not made any adjustments to DVA balances that were previously approved by the
- 2 Board on a final basis in previous Cost of Service and/or IRM proceedings. ¹
- 3 CPUC 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 CPUC's
- 5 Audited Financial Statements, is provided Section 9.10.2.
- 6 CPUC 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, 2017, 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, CPUC 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

		Dec 31, 2017 Balances	Allocator
<i>LV Variance Account</i>	1550	201,373	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(348)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(106,009)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	(8,683)	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	2,135	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	(204,757)	kWh
<i>RSVA - Global Adjustment</i>	1589	99,237	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	179,009	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	(4,967)	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	480	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	(4,255)	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2016)</i>	1595	0	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2017)</i>	1595	0	%
Total of Group 1 Accounts (excluding 1589)		53,978	
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	11,866	kWh
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	0	kWh
<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	32,035	kWh
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	0	kWh

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

Ontario Rebate for Electricity Consumers (OREC)	1508	25,180	kWh
OFHP Distribution Rate Protection (DRP)	1508	(176)	kWh
OFHP Eligible Non-RPP Consumer (GA Modifier)	1508	(0)	kWh
	1508	0	kWh
	1508	0	kWh
	1508	0	kWh
Retail Cost Variance Account - Retail	1518	7,831	kWh
Misc. Deferred Debits	1525	0	kWh
Retail Cost Variance Account - STR	1548	0	kWh
Board-Approved CDM Variance Account	1567	2	kWh
Extra-Ordinary Event Costs	1572	0	kWh
Deferred Rate Impact Amounts	1574	0	kWh
RSVA - One-time	1582	0	kWh
Other Deferred Credits	2425	0	kWh
Total of Group 2 Accounts		76,737	
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	(17,719)	
(Account 1568 - total amount allocated to classes)		(17,719)	
Variance		0	
Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
Variance WMS - Sub-account CBR Class B (separate rate rider if no Class A Customers)	1580	(2,080)	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		364,744	
Total of Account 1580 and 1588 (not allocated to WMPs)		(310,766)	
Balance of Account 1589 Allocated to Non-WMPs		99,237	
Group 2 Accounts (including 1592, 1532)		76,737	
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	30,877	kWh
Total Balance Allocated to each class for Accounts 1575 and 1576		30,877	

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, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$201,373.

1551 – Smart Metering Entity Charge Variance Account

For account 1551, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$348.

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

For account 1580, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$106,009.

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-9.3.2account 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, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$8,683.

**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, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$2,135.

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, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$204,757.

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, CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconcile with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$99,237.

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

CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$179,009.

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

CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$4,967.

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

CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$480.

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

CPUC is requesting disposition of the December 31, 2017, audited balance. CPUC attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a credit of \$4,255.

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:

CPUC has recorded its incremental costs in this account beginning in 2015. CPUC's application for 2019 rates is being filed under IFRS, and as such, the utility has completed all of its transition to IFRS.

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.

CPUC has an audited balance in its IFRS transition cost account of \$11,866. All costs included in the account are fully incremental, and CPUC 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.

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.

CPUC attests that no "one-time" administrative incremental IFRS transition costs are embedded in the proposed 2019 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 caused by the transition of accounting policies, procedures, systems and processes to IFRS. The incremental costs eligible for inclusion in these accounts may include professional accounting and legal fees, salaries, wages and benefits of staff added to support the transition to IFRS and associated staff training and development costs.

These accounts 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.

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

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

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

CPUC notes that no material variances in excess of the materiality threshold have been recorded in 1508 Other Regulatory Assets, sub-account IFRS Transition Costs Variance account. CPUC also

notes that no capital costs, ongoing IFRS compliance costs, or impacts arising from adopting accounting policy changes are recorded 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.

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

1518– Retail Cost Variance Account

The Retail Cost Variance Account – STR is used to record the revenues derived, including accruals, from the Service Transaction Request services and charged by the distributor, in the form of a request fee, processing fee, information request fee, default fee, and other associated costs. The account also includes the cost of labour, internal information system maintenance costs, and delivery costs related to the provision of the services associated with the service transaction request services.

CPUC is requesting disposition of the December 31, 2017 audited balance. The December 31, 2017 audited balance reconciles with filing 2.1.7 of the RRR. The balance for account 1548 requested for disposal, including carrying charges is a debit of \$7,831.

1508– Ontario Clean Energy Act

This account shall be used by a distributor to capture the difference between the amounts of reimbursement claimed from the IESO or a host distributor and the financial assistance credited to eligible accounts. This account shall be used by way of exception only; if a licensed distributor cannot adapt its invoices as of January 1, 2011, it will be required to use this variance account for Ontario Clean Energy Benefit purposes.

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

Carrying charge shall apply to this account and amounts shall be calculated using simple interest applied to the monthly opening balances in the account (exclusive of accumulated interest) and recorded in a separate carrying charges sub-account related to this account. The rate of interest shall be the rate prescribed by the Board.

CPUC is requesting disposition of the December 31, 2017 audited balance. The December 31, 2017 audited balance reconciles with filing 2.1.7 of the RRR. The balance for account 1548 requested for disposal, including carrying charges is a debit of \$32,034.

1508– OREC

CPUC attests that it has complied with the OEB's letter of guidance issued on February 9, 2017 where; *under the OREC rebate settlement regime, each month a distributor can obtain reimbursement from the IESO or a host distributor, as applicable, in relation to financial assistance to which consumers were entitled in the previous month, as well as in relation to any adjustments to be made in respect of earlier months. This generally eliminates the need for a variance account. By way of exception, however, for licensed distributors who cannot adapt their invoices as of January 1, 2017 and who may have concerns regarding the tracking of financial assistance using their internal accounts, the OEB has established the deferral account described below for OREC rebate purposes. From January 1, 2017 until the date on which compliant invoices are first issued, but no later than July 1, 2017, such licensed distributors may capture the difference between the amount of reimbursement claimed and the financial assistance credited to eligible accounts in a new sub-account of Account 1508, Other Regulatory Assets; namely, "Sub-account OREC Rebate Deferral Account – Ontario Rebate for Electricity Consumers Act". Carrying charges will not apply to this account.*

Once a licensed distributor has commenced to issue invoices that have been adapted to comply with the OREC Act and the OREC Regulations, and no later than July 1, 2017, no further amounts are expected to be recorded in this account. The licensed distributor is expected to credit customer invoices and settle the remaining balance with the IESO thereby clearing the balance to zero on

1 *the date on which the compliant invoices are first issued. This account will be closed no later than*
2 *July 1, 2017.*

3 CPUC is requesting disposition of the December 31, 2017 audited balance. The December 31,
4 2017 audited balance reconciles with filing 2.1.7 of the RRR. The balance for account 1508
5 requested for disposal, including carrying charges is a debit of \$25,025.

6 **1508– DRP**

7 CPUC is requesting disposition of the December 31, 2017 audited balance. The December 31,
8 2017 audited balance reconciles with filing 2.1.7 of the RRR. The balance for account 1508-DRP
9 requested for disposal, including carrying charges is a credit of \$175.

10

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>
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 (Actual)	1.10%
Q3 2017 (Actual)	1.10%
Q4 2017 (Actual)	1.50%
Q1 2018 (Actual)	1.50%
Q2 2018 (Actual)	1.89%

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

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

- 1 Closing Interest Balances as of December 31, 2017, Adjusted for Dispositions during 2016 are
- 2 detailed in the table below:

3

1 **Table 3 - Closing Interest Balances as of Dec 31, 2017, Adj. for Dispositions during 2019**

Group 1 Accounts		Closing Principal Balances as of Dec 31-17 Adjusted for Dispositions during 2019	Closing Interest Balances as of Dec 31-17 Adjusted for Dispositions during 2019	Projected Interest from January 1, 2019 to April 30, 2019 on Dec 31 -17 balance adjusted for disposition during 2019 (6)	Total Claim
LV Variance Account	1550	\$195,676	\$4,464	\$1,233	\$201,373.11
Smart Metering Entity Charge Variance Account	1551	-\$286	-\$60	-\$2	-\$348.10
RSVA - Wholesale Market Service Charge ⁹	1580	-\$101,544	-\$1,749	-\$636	-\$103,928.75
Variance WMS – Sub-account CBR Class A ⁹	1580	\$0	\$0	\$0	\$0.00
Variance WMS – Sub-account CBR Class B ⁹	1580	-\$2,037	-\$30	-\$13	-\$2,079.90
RSVA - Retail Transmission Network Charge	1584	-\$8,338	-\$292	-\$53	-\$8,682.78
RSVA - Retail Transmission Connection Charge	1586	\$2,175	-\$53	\$13	\$2,135.10
RSVA - Power (excluding Global Adjustment) ¹²	1588	-\$196,599	-\$6,904	-\$1,254	-\$204,757.32
RSVA - Global Adjustment ¹²	1589	\$97,593	\$1,036	\$608	\$99,236.77
Disposition and Recovery/Refund of Regulatory Balances (2010) ⁷	1595	\$0	\$0	\$0	\$0.00
Disposition and Recovery/Refund of Regulatory Balances (2011) ⁷	1595	\$0	\$0	\$0	\$0.00
Disposition and Recovery/Refund of Regulatory Balances (2012) ⁷	1595	\$184,452	-\$6,540	\$1,096	\$179,009.01
Disposition and Recovery/Refund of Regulatory Balances (2013) ⁷	1595	-\$7,985	\$3,049	-\$30	-\$4,967.05
Disposition and Recovery/Refund of Regulatory Balances (2014) ⁷	1595	\$1,512	-\$1,035	\$3	\$480.23
Disposition and Recovery/Refund of Regulatory Balances (2015) ⁷	1595	-\$4,368	\$139	-\$26	-\$4,255.48
Disposition and Recovery/Refund of Regulatory Balances (2016) ⁷	1595	\$0	\$0	\$0	\$0.00
Disposition and Recovery/Refund of Regulatory Balances (2017) ⁷	1595	\$0	\$0	\$0	\$0.00
<i>Not to be disposed of until a year after rate rider has expired and that balance has been audited</i>					
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		\$160,253	-\$7,976	\$938	\$153,214.84
Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)		\$62,659	-\$9,012	\$331	\$53,978.06
RSVA - Global Adjustment 12	1589	\$97,593	\$1,036	\$608	\$99,236.77

2

3

Group 2 Accounts		Closing Principal Balances as of Dec 31-17 Adjusted for Dispositio ns during 2019	Closing Interest Balance s as of Dec 31- 17 Adjuste d for Disposit ions during 2019	Projected Interest from January 1, 2019 to April 30, 2019 on Dec 31 -17 balance adjusted for disposition during 2019 (6)	Total Claim
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	\$11,130	\$663	\$73	\$11,865.89
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	\$0	\$0	\$0	\$0.00
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act ³	1508	\$31,359	\$479	\$196	\$32,034.84
Other Regulatory Assets - Sub-Account - Other	1508	\$0	\$0	\$0	\$0.00
Ontario Rebate for Electricity Consumers (OREC)	1508	\$25,025	\$0	\$154	\$25,179.70
OFHP Distribution Rate Protection (DRP)	1508	-\$175	\$0	-\$1	-\$176.44
OFHP Eligible Non-RPP Consumer (GA Modifier)	1508	-\$0	\$0	-\$0	-\$0.03
	1508	\$0	\$0	\$0	\$0.00
	1508	\$0	\$0	\$0	\$0.00
	1508	\$0	\$0	\$0	\$0.00
Retail Cost Variance Account - Retail	1518	\$7,469	\$314	\$48	\$7,830.84
Misc. Deferred Debits	1525	\$0	\$0	\$0	\$0.00
Retail Cost Variance Account - STR	1548	\$0	\$0	\$0	\$0.00
Board-Approved CDM Variance Account	1567	\$0	\$2	\$0	\$2.01
Extra-Ordinary Event Costs	1572	\$0	\$0	\$0	\$0.00
Deferred Rate Impact Amounts	1574	\$0	\$0	\$0	\$0.00
RSVA - One-time	1582	\$0	\$0	\$0	\$0.00
Other Deferred Credits	2425	\$0	\$0	\$0	\$0.00
Group 2 Sub-Total		\$74,808	\$1,459	\$470	\$76,736.80
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)	1592	\$0	\$0		\$0.00
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	\$0	\$0		\$0.00
LRAM Variance Account¹¹	1568	-\$16,491	\$83	-\$1228	-\$17,718
Total including Account 1568		\$58,318	\$387	\$701	\$59,018.22
Renewable Generation Connection Capital Deferral Account ⁸	1531	\$0	\$0		\$0.00
Renewable Generation Connection OM&A Deferral Account ⁸	1532	\$0	\$0		\$0.00
Renewable Generation Connection Funding Adder Deferral Account	1533	\$0	\$0		\$0.00
Smart Grid Capital Deferral Account	1534	\$0	\$0		\$0.00
Smart Grid OM&A Deferral Account	1535	\$0	\$0		\$0.00
Smart Grid Funding Adder Deferral Account	1536	\$0	\$0		\$0.00
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Capital ⁴	1555	\$0	\$0		\$0.00

Smart Meter Capital and Recovery Offset Variance - Sub-Account - Recoveries ⁴	1555	\$0	\$0		\$0.00
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs ⁴	1555	\$0	\$0		\$0.00
Smart Meter OM&A Variance ⁴	1556	\$0	\$0		\$0.00
Meter Cost Deferral Account (MIST Meters) ¹⁰	1557	\$0	\$0		\$0.00
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component ⁵	1575	\$0			\$0.00
Accounting Changes Under CGAAP Balance + Return Component ⁵	1576	\$30,877			\$30,877

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9.3.4 DEPARTURE FROM BOARD APPROVED BALANCES

CPUC 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 2017 audited financial statements is requested. The sale of energy is a flow through revenue and the cost of power is a flow through expense. CPUC 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 2017 Financial Statements. ⁸ Mapping of the 2017 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>2017</i>
<i>4705-Power Purchased</i>	\$1,704,549
<i>4707-Global Adjustment</i>	\$661,732
<i>4708-Charges-WMS</i>	\$96,012
<i>4710-Cost of Power Adjustments</i>	\$0
<i>4712-Charges-One-Time</i>	\$0
<i>4714-Charges-NW</i>	\$146,701
<i>4715-System Control and Load Dispatching</i>	\$0
<i>4716-Charges-CN</i>	\$35,130
<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>	\$12,772

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

4751-IESO Smart Meter Entity Expenses	\$10,521
Total	\$2,667,417

1

Sales of Electricity	2017
4006-Residential Energy Sales	-\$1,156,025
4010-Commercial Energy Sales	\$0
4015-Industrial Energy Sales	\$0
4020-Energy Sales to Large Users	\$0
4025-Street Lighting Energy Sales	-\$26,876
4030-Sentinel Lighting Energy Sales	-\$1,795
4035-General Energy Sales	-\$1,173,604
4040-Other Energy Sales to Public Authorities	\$0
4045-Energy Sales to Railroads and Railways	\$0
4050-Revenue Adjustment	\$215
4055-Energy Sales for Resale	-\$8,196
4060-Interdepartmental Energy Sales	\$0
4062-Billed WMS	-\$96,012
4064-Billed One-Time	\$0
4066-Billed NW	-\$146,701
4068-Billed CN	-\$35,130
4071-Charges – Smart Metering Entity Charge	
4075-Billed - LV	-\$12,772
4076-IESO Smart Meter Entity Billed	-\$10,521
Total	-\$2,667,417

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. CPUC confirms that this is the case for all historical years
5 as well with the exception of 2013 where there was a difference of \$6,163.

9.3.6 PROPOSED CHARGE PARAMETERS

CPUC 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

		Amounts from Sheet 2	Allocator
<i>LV Variance Account</i>	1550	201,373	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(348)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(106,009)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	(8,683)	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	2,135	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	(204,757)	kWh
<i>RSVA - Global Adjustment</i>	1589	99,237	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	179,009	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	(4,967)	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	480	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	(4,255)	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2016)</i>	1595	0	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2017)</i>	1595	0	%
Total of Group 1 Accounts (excluding 1589)		53,978	
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	11,866	kWh
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	0	kWh
<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	32,035	kWh
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	0	kWh
<i>Ontario Rebate for Electricity Consumers (OREC)</i>	1508	25,180	kWh
<i>OFHP Distribution Rate Protection (DRP)</i>	1508	(176)	kWh
<i>OFHP Non-RPP Consumer (GA Modifier)</i>	1508	(0)	kWh
<i>Retail Cost Variance Account - Retail</i>	1518	7,831	kWh
<i>LRAMVA</i>	1568	(17,719)	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

CPUC calculated the cost of power for the 2018 Bridge Year and the 2019 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 – May 1, 2018, to April 30, 2019. Should the Board publish a revised Regulated Price Plan Report prior to the Board's Decision in the application, CPUC 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. CPUC 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 CPUC'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>	\$2,308,570
<i>Transmission Network</i>	\$178,820
<i>Transmission Connection</i>	\$50,106
<i>Wholesale Market Service</i>	\$72,554
<i>Rural Rate Protection</i>	\$6,046
<i>Smart Meter Entity Charge</i>	\$8,186
<i>Low Voltage</i>	\$68,404
TOTAL	\$2,692,686

Table 7 - Calculation of Commodity

The Commodity share of the Cost of Power is calculated in the same manner as has been previously approved by the OEB in CPUC's previous Cost of Service application as well as other applications. The utility used Table ES-1: Average RPP Supply Cost Summary from the Regulated Price Plan Price Report - May 1, 2018, to April 30, 2019, issued by the Ontario Energy Board.

	Last Actual kWh's	non GA mod	GA mod	Total	RPP	non-RPP	RPP
Customer Class Name	Last Actual kWh's	non-RPP				%	%
Residential	12,775,802			-	12,775,802	0.00%	100.00%
General Service < 50 kW	4,702,580			-	4,702,580	0.00%	100.00%
General Service > 50 to 4999 kW	6,797,046		6,797,046	6,797,046	0	100.00%	0.00%
Unmetered Scattered Load	2,892			-	2,892	0.00%	100.00%
Sentinel Lighting	20,629			-	20,629	0.00%	100.00%
Street Lighting	274,259			-	274,259	0.00%	100.00%
TOTAL	24,573,208	0	6,797,046	6,797,046	17,776,162		
%	100.00%	0.00%	27.66%		72.34%		

Forecast Price

GA modifier

44.38

HOEP (\$/MWh)		\$21.57	\$21.57	
Global Adjustment (\$/MWh)		\$103.80	\$59.42	
Adjustments		\$1.00	\$1.00	
TOTAL (\$/MWh)		\$126.37	\$81.99	\$82.00 (1)
\$/kWh		\$0.12637	\$0.08199	\$0.08200
%		0.00%	27.66%	72.34%
WEIGHTED AVERAGE PRICE	\$0.0820	\$0.0000	\$0.0227	\$0.0593

1 - Regulated Price Plan Price Report May 1, 2017 to April 30, 2018 Ontario Energy Board April 19, 2018. Table ES-1: Average RPP Supply Cost Summary.

Table 8 - RPP Supply Cost Summary

Table 1: RPP Prices and GA Modifier: May 1, 2018 to April 30, 2019

Time-of-Use RPP Prices	Off-Peak	Mid-Peak	On-Peak	Average Price
Price per kWh	6.5¢	9.4¢	13.2¢	8.2¢
% of TOU Consumption	65%	17%	18%	
Tiered RPP Prices	Tier 1	Tier 2	Average Price	
Price per kWh	7.7¢	8.9¢	8.2¢	
% of Tiered Consumption	57%	43%		
GA Modifier				
GA Modifier per MWh	-\$44.38			

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 2019 Load Forecast to determine the commodity to be included in the Cost of Power. The commodity cost for 2019 is projected at \$2,253,346.

Table 9 - Transmission Network

Customer	2018			2019		
	Volume	Rate	Amount	Volume	Rate	Amount
<i>Class Name</i>						
<i>Residential</i>	14,859,993	0.0068	\$101,048	14,878,532	0.0067	\$99,615
<i>General Service < 50 kW</i>	5,151,370	0.0060	\$30,908	5,249,883	0.0059	\$31,014
<i>General Service > 50 to 4999 kW</i>	19,002	2.5062	\$47,623	18,883	2.4676	\$46,596
<i>Unmetered Scattered Load</i>	5,522	0.0060	\$33	5,628	0.0059	\$33
<i>Sentinel Lighting</i>	65	1.8998	\$123	65	1.8705	\$122
<i>Street Lighting</i>	774	1.8902	\$1,463	774	1.8611	\$1,440
<i>other</i>	1	0.0000	\$0	1	0.0000	\$0
<i>0</i>	1	0.0000	\$0	1	0.0000	\$0
<i>0</i>	1	0.0000	\$0	1	0.0000	\$0
TOTAL	20,036,729		181,199	20,153,768		178,820

The Transmission Network charges are calculated in the OEB's RTSR model. The Rates are applied to the 2019 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 2019 is projected at \$1,054,756.

Table 10 - Transmission Connection

Customer	2018			2019		
	Volume	Rate	Amount	Volume	Rate	Amount
<i>Class Name</i>						
<i>Residential</i>	14,859,993	0.0016	\$23,776	14,878,532	0.0018	\$27,439
<i>General Service < 50 kW</i>	5,151,370	0.0016	\$8,242	5,249,883	0.0018	\$9,682
<i>General Service > 50 to 4999 kW</i>	19,002	0.5763	\$10,951	18,883	0.6643	\$12,543
<i>Unmetered Scattered Load</i>	5,522	0.0016	\$9	5,628	0.0018	\$10
<i>Sentinel Lighting</i>	65	0.4549	\$30	65	0.5244	\$34
<i>Street Lighting</i>	774	0.4456	\$345	774	0.5136	\$397
<i>other</i>	1	0.0000	\$0	1	0.0000	\$0
<i>0</i>	1	0.0000	\$0	1	0.0000	\$0
<i>0</i>	1	0.0000	\$0	1	0.0000	\$0
TOTAL	20,036,729		43,352	20,153,768		50,106

The Transmission Connection charges are also calculated in the OEB's RTSR model. The Rates are applied to the 2019 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 2019 is projected at \$515,346.

Table 11 - Wholesale Market

Customer	2018			2019		
	Volume	rate (\$/kWh):	0.0052	Volume	rate (\$/kWh):	0.0052
<i>Class Name</i>			Amount			Amount
<i>Residential</i>	14,859,993	0.00360	\$53,496	14,878,532	0.00360	\$53,563
<i>General Service < 50 kW</i>	5,151,370	0.00360	\$18,545	5,249,883	0.00360	\$18,900
<i>General Service > 50 to 4999 kW</i>	19,002	0.00360	\$68	18,883	0.00360	\$68
<i>Unmetered Scattered Load</i>	5,522	0.00360	\$20	5,628	0.00360	\$20
<i>Sentinel Lighting</i>	65	0.00360	\$0	65	0.00360	\$0
<i>Street Lighting</i>	774	0.00360	\$3	774	0.00360	\$3
<i>other</i>	1	0.00360	\$0	1	0.00360	\$0
<i>0</i>	1	0.00360	\$0	1	0.00360	\$0
<i>0</i>	1	0.00360	\$0	1	0.00360	\$0
TOTAL	20,036,729		72,132	20,153,768		72,554

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, CPUC has applied the Board Approved \$0.0036/kWh to its 2019 Load Forecast to include \$551,228 in its Cost of Power.

Table 12 - Remote Electricity Rate Protection

Customer	2018			2019		
		rate (\$/kWh):			rate (\$/kWh):	
<i>Class Name</i>	Volume		Amount	Volume		Amount
<i>Residential</i>	14,859,993	0.00130	\$19,318	14,878,532	0.00030	\$4,464
<i>General Service < 50 kW</i>	5,151,370	0.00130	\$6,697	5,249,883	0.00030	\$1,575
<i>General Service > 50 to 4999 kW</i>	19,002	0.00130	\$25	18,883	0.00030	\$6
<i>Unmetered Scattered Load</i>	5,522	0.00130	\$7	5,628	0.00030	\$2
<i>Sentinel Lighting</i>	65	0.00130	\$0	65	0.00030	\$0
<i>Street Lighting</i>	774	0.00130	\$1	774	0.00030	\$0
<i>other</i>	1	0.00130	\$0	1	0.00030	\$0
<i>0</i>	1	0.00130	\$0	1	0.00030	\$0
<i>0</i>	1	0.00130	\$0	1	0.00030	\$0
TOTAL	20,036,729		26,048	20,153,768		6,046

On June22, 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, CPUC has applied the Board Approved \$0.0003/kWh to its 2019 Load Forecast to include \$45,936 in its Cost of Power.

Table 13 - Smart Meter Entity

<i>Customer</i>	2018			2019		
		rate (\$/kWh):			rate (\$/kWh):	
<i>Class Name</i>	Volume		Amount	Volume		Amount
<i>Residential</i>	1,043	0.00000	\$0	1,033	0.57000	\$7,066
<i>General Service < 50 kW</i>	150	0.00000	\$0	148	0.57000	\$1,015
<i>General Service > 50 to 4999 kW</i>	15	0.00000	\$0	15	0.57000	\$104
<i>TOTAL</i>	1,209		\$0	1,197		\$8,186

In compliance with this order, CPUC has applied the Board Approved \$0.79/kWh to its 2019 Customer Forecast to include \$52,541 in its Cost of Power.

1

Table 14 - Low Voltage Charges

	2012	2013	2014	2015	2016	2017	AVG
4075-Billed - LV	(\$30,388)	(\$17,154)	(\$19,857)	(\$17,265)	(\$14,688)	(\$14,622)	(\$16,608)
4750-Charges - LV	\$15,491	\$39,969	\$71,247	\$74,595	\$70,967	\$59,187	\$68,999

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

(volumes are not loss adjusted)

ALLOCATION BASED ON TRANSMISSION-CONNECTION REVENUE					
Customer Class Name		RTSR Rate	Uplifted Volumes	Revenue	% Alloc
Residential	kWh	\$0.0018	14,878,532	\$27,439	54.76%
General Service < 50 kW	kWh	\$0.0018	5,249,883	\$9,682	19.32%
General Service > 50 to 4999 kW	kW	\$0.6643	18,883	\$12,543	25.03%
Unmetered Scattered Load	kWh	\$0.0018	5,628	\$10	0.02%
Sentinel Lighting	kW	\$0.5244	65	\$34	0.07%
Street Lighting	kW	\$0.5136	774	\$397	0.79%
TOTAL			20,153,768	\$50,106	100.00%

Low Voltage Charges Rate Rider Calculations

(volumes are not loss adjusted)

PROPOSED LOW VOLTAGE CHARGES & RATES					
Customer Class Name	% Allocation	Charges	Not Uplifted Volumes	Rate	per
Residential	54.76%	37,785	13,831,681	\$0.0027	kWh
General Service < 50 kW	19.32%	13,333	4,880,502	\$0.0027	kWh
General Service > 50 to 4999 kW	25.03%	17,273	18,883	\$0.9147	kW
Unmetered Scattered Load	0.02%	14	5,232	\$0.0027	kWh
Sentinel Lighting	0.07%	47	65	\$0.7221	kW
Street Lighting	0.79%	547	774	\$0.7073	kW
TOTAL	100.00%	68,999	18,737,140		

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

(volumes are not loss adjusted)

Customer		Revenue	Expense	2018			
Class Name		USA #	USA #	Volume	Rate	Amount	
Residential	kWh	4075	4750	13,831,681	\$0.0027	\$37,346	
General Service < 50 kW	kWh	4075	4750	4,880,502	\$0.0027	\$13,177	
General Service > 50 to 4999 kW	kW	4075	4750	18,883	\$0.9147	\$17,273	
Unmetered Scattered Load	kWh	4075	4750	5,232	\$0.0027	\$14	
Sentinel Lighting	kW	4075	4750	65	\$0.7221	\$47	
Street Lighting	kW	4075	4750	774	\$0.7073	\$547	
TOTAL		0	0	18,737,140		\$68,404	

2

1 The table below presents the derivation of proposed retail rates for Low Voltage ("LV") service.
2 The 2019 estimates of total LV charges were calculated based on an average of the last 2 years.
3 The projections were allocated to customer classes, according to each class' share of projected
4 Transmission-Connection revenue, in accordance with Board policy. The resulting allocated LV
5 charges for each class were divided by the applicable 2019 volumes from the load forecast, as
6 presented in Exhibit 3. Current LV revenues are recovered through a separate rate adder and
7 therefore are not embedded within the approved Distribution Volumetric rate. 2019 LV rates
8 appear on a distinct line item on the proposed schedule of rates. The Low Voltage charges
9 included in the Cost of Power for 2019 is projected at \$68,726.

10

9.5 RETAIL SERVICE CHARGE

9.5.1 OVERVIEW⁹¹⁰

CPUC has a balance of \$7,831 in accounts 1518 and a balance of \$0 in account 1548.

CPUC attests that it is currently not in compliance with 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.

CPUC currently does not have balances account 1548. Initial investigation show that all costs are being captured in 1518. CPUC commits to fixing the accounting error in advance of the decision. CPUC notes that it only has 2 customers signed up with retailers at the time of the application.

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

Table 15 - Income/Expense of Providing Retail Services

		2012	2013	2014	2015	2016	2017
1518-000	Retail Cost Variance Account (RCVA) - Retail						
4082-000	Retails Services Revenues	3,009	3,009	2,763	2,493	2,861	2,749
4083-000	Retails Services Expenses	3,818	3,818	4,004	3,898	3,937	3,983
<i>Annual total</i>		809	809	1,241	1,405	1,076	1,234
<i>Cumulative</i>	2012 had 1,705 balance, I included here	2,514	2,514	3,755	5,159	6,235	7,469
1518-010	RCVA - Retail - Carrying Charges	29	29	43	52	62	74
<i>Annual total</i>		29	29	43	52	62	74
<i>Cumulative</i>	2012 had 54 balance, I included here	83	83	126	178	240	314

1518		2,597	2,597	3,881	5,337	6,475

1

1548-000	Retail Cost Variance Account (RCVA) - STR					
4084-000	Service Transaction Requests (STR) Revenues					
4085-000	Service Transaction Requests (STR) Expenses					
<i>Annual total</i>						
<i>Cumulative</i>						
1548-010	RCVA - STR - Carrying Charges					
<i>Annual total</i>						
<i>Cumulative</i>						
1548						

2

9.6 ONE-TIME INCREMENTAL IFRS COST

9.6.1 OVERVIEW OF ONE TIME COSTS

CPUC 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

OEB policy dictates that 1575 and 1576 cannot be used interchangeably. CPUC confirms that it has not used 1575 in this application but has used 1575 as explained below.

9.8 ACCOUNT 1576, ACCOUNTING CHANGES UNDER CGAAP

9.8.1 OVERVIEW

CPUC complied with the Board's letter issued July 17, 2012 which stated that utilities must change their depreciation expense and capitalization policies. The changes took place in 2013. CPUC changed the estimated useful lives of its assets to be consistent with the guidelines in the Kinectrics Report. The utility did not require any changes to the manner of accounting for overhead costs associated with capital work as clarified by the Board in its letter dated February 24, 2010.

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

1 On July 17, 2012, the OEB issued a letter to all LDCs authorizing the use of Account 1576,
2 Accounting Changes Under CGAAP, for recording the financial differences arising as a result of
3 an LDCs election to use revised depreciation expense and capitalization policies effective
4 January 1, 2012. However effective from January 01, 2013 these changes are required by all
5 LDCs.

6 CPUC has calculated and recorded the actual differences up to December 31, 2015, and included
7 a calculation of the projected differences up to December 31, 2016 in account 1576.

8 CPUC is requesting disposition of the balance of \$870,367 over a 2-year period. No carrying
9 charges are included in this balance. The calculation of the balances followed the methodology
10 provided in the OEBs FAQ issued July 2012. The OEB Appendix entitled 2-EE Account 1576 is
11 presented at the next page.

12 For the year 2018, the difference in the net fixed assets between the MIFRS and Old CGAAP is
13 calculated as \$695,626. This amount plus \$174,741 in return on Rate Base, was booked into
14 account 1576 as a payable to customers. The Return on Rate Base Associated with Account 1576
15 balance at the Weighted Average Cost of Capital ("WACC") is shown below. The WACC is
16 consistent with the rate shown in Exhibit 5.

17

Table 16: Return on Rate Base associated with account 1576

Reporting Basis	#N/A Rebasing Year	2012	2013	2014	2015	2016	2017	2018	2019 Rebasing Year
	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Forecast	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
			\$	\$	\$	\$	\$	\$	\$
PP&E Values under former CGAAP									
Opening net PP&E - Note 1			2,562,037	2,650,264	2,694,187	2,795,362	2,831,655	2,855,712	
Net Additions - Note 4			88,227	43,923	101,175	36,293	24,057	476,662	
Net Depreciation (amounts should be negative) - Note 4			96,437	92,508	93,349	85,958	66,744	183,402	
Closing net PP&E (1)			2,746,701	2,786,695	2,888,711	2,917,613	2,922,456	3,515,776	
PP&E Values under revised CGAAP									
Opening net PP&E - Note 1			2,562,037	2,650,264	2,694,187	2,795,363	2,831,656	2,855,712	
Net Additions - Note 4			88,227	43,923	101,176	36,293	24,057	476,662	
Net Depreciation (amounts should be negative) - Note 4			72,024	72,466	50,827	52,874	49,114	154,279	
Closing net PP&E (2)			2,722,288	2,766,653	2,846,190	2,884,530	2,904,827	3,486,653	
<i>Integrity Check (account 5705)</i>			<i>72,025</i>	<i>72,466</i>	<i>50,827</i>	<i>52,874</i>	<i>49,114</i>		
Difference in Closing net PP&E, former CGAAP vs. revised CGAAP			24,413	20,042	42,521	33,083	17,629	29,123	

Effect on Deferral and Variance Account Rate Riders			# of years of rate rider disposition period	WACC	6.02%
Closing balance in Account 1576	29,123				
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	1,754				
Amount included in Deferral and Variance Account Rate Rider Calculation	30,877				

1

2 The difference in the net additions between CGAAP and new CGAAP/MIFRS is the asset
3 disposals. Keeping consistent with CPUC prior year's asset removal procedure, the retirements
4 were not removed from cost or accumulated depreciation. This would have no effect on the net
5 book value, account 1576, or rate base because all assets removed would have been fully
6 depreciated based on the old useful lives. (Removal Cost = Removal A/D). Beginning January 1,
7 2013 CPUC now removes the cost, and associated accumulated depreciation of all asset
8 retirements with new CGAAP and MIFRS, based on new useful lives.

9 The main drivers behind the change in net PP&E is the adoption of new depreciation rates
10 based on the Kinetrics report. Since the utility has never capitalized overheads, no other changes
11 have impacted the difference in closing net PP&E, former CGAAP vs. revised CGAAP.
12 Capitalization policies and changes in depreciation rate are detailed in Exhibit 2.

13 CPUC has recorded its balances under CGAAP and under MIFRS in the OEB Appendix e-EE
14 Account 1576. CPUC notes that there were no accounting changes resulting from CGAAP and
15 the adoption to MIFRS other than the difference in depreciation expense.

16 CPUC seeks to dispose of this balance over a period of 4 years. The rate rider is presented in the
17 OEB Appendices at the next page. Note that this balance was calculated as part of this
18 application and therefore, the balance is not reflected in the utility's December 31, 2017 audited
19 balance nor with filing 2.1.7 of the RRR. The utility does not anticipate using this account once
20 the disposition period has expired.¹²

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

- 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

9.9 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, 2017, 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, CPUC proposes to dispose of all its balances listed in the table below.

The 2019_DVA_Continuity_Schedule detailing each account is being filed in conjunction with this application.¹³

Table 16 - DVA Balances sought for Disposition

		Dec 31, 2017 Balances	Allocator
<i>LV Variance Account</i>	1550	201,373	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	(348)	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	(106,009)	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	(8,683)	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	2,135	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	(204,757)	kWh
<i>RSVA - Global Adjustment</i>	1589	99,237	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances (2012)</i>	1595	179,009	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i>	1595	(4,967)	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i>	1595	480	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i>	1595	(4,255)	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2016)</i>	1595	0	%
<i>Disposition and Recovery/Refund of Regulatory Balances (2017)</i>	1595	0	%
Total of Group 1 Accounts (excluding 1589)		53,978	

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	11,866	kWh
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	0	kWh
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	32,035	kWh
Other Regulatory Assets - Sub-Account - Other	1508	0	kWh
Ontario Rebate for Electricity Consumers (OREC)	1508	25,180	kWh
OFHP Distribution Rate Protection (DRP)	1508	(176)	kWh
OFHP Eligible Non-RPP Consumer (GA Modifier)	1508	(0)	kWh
	1508	0	kWh
	1508	0	kWh
	1508	0	kWh
Retail Cost Variance Account - Retail	1518	7,831	kWh
Misc. Deferred Debits	1525	0	kWh
Retail Cost Variance Account - STR	1548	0	kWh
Board-Approved CDM Variance Account	1567	2	kWh
Extra-Ordinary Event Costs	1572	0	kWh
Deferred Rate Impact Amounts	1574	0	kWh
RSVA - One-time	1582	0	kWh
Other Deferred Credits	2425	0	kWh
Total of Group 2 Accounts		76,737	
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	(17,719)	
(Account 1568 - total amount allocated to classes)		(17,719)	
Variance		0	
Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
Variance WMS - Sub-account CBR Class B (separate rate rider if no Class A Customers)	1580	(2,080)	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		364,744	
Total of Account 1580 and 1588 (not allocated to WMPs)		(310,766)	
Balance of Account 1589 Allocated to Non-WMPs		99,237	
Group 2 Accounts (including 1592, 1532)		76,737	
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	30,877	kWh
Total Balance Allocated to each class for Accounts 1575 and 1576		30,877	

1 CPUC does not have any Market Participants, and as such, it does not need to establish separate
2 rate riders to recover balances in the RSVA's from Market Participants who must not be
3 allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.¹⁴
4 With the exception of account 1568 – LRAMVA and account 1576 – Accounting Changes Under
5 CGGAP Balances, both of which are calculated in this proceeding, CPUC does not currently have
6 any balances proposed for disposition that are not consistent with the last Audited Financial
7 Statements.^{15 16 17}

8

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

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

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

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

9.9.2 CALCULATION OF RATE RIDER

CPUC notes that all relevant calculations are embedded in the 2019_DVA_Continuity_Schedule_CoS OEB provided model.¹⁸

The utility did not propose any billing determinants that are different than the OEB standard. CPUC 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).

CPUC is proposing to dispose of balances in Group 1 and 2 over a period of 36 months year. The Rate Rider for account 1568 – LRAMVA and account 1576 – Accounting Changes Under CGGAP Balances are proposed to be recovered over a period of 48 months. The specific recovery period was chosen in an effort to mitigate rates. All riders 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

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

¹⁹ MFR - Propose rat9.9.2e 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

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

Rate Rider Calculation for Account 1580 RSVA - Power - Global Adjustment

- Rate riders for Deferral / Variance Account Balances excluding Global Adj. is to be calculated based on kWh for all classes as per instructions in the model.

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

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

Rate Rider Calculation for Group 2 Accounts

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

1

Table 17 - Deferral and Variance Rate Riders²¹

Please indicate the Rate Rider Recovery Period (in months)

24

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

1550, 1551, 1584, 1586, 1595, 1580 and 1588 per instructions

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL SERVICE CLASSIFICATION	kWh	13,831,681	\$ 26,545	0.0001
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,880,502	\$ 10,131	0.0001
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	18,883	\$ 14,595	0.0322
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	5,232	-\$ 24	- 0.0002
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	65	\$ 59	0.0376
STREET LIGHTING SERVICE CLASSIFICATION	kW	774	\$ 592	0.0319
Total			\$ 51,898	

Rate Rider Calculation for Group 1 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 Group 1 Balance - Non- WMP	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL SERVICE CLASSIFICATION	kWh	13,831,681	\$ -	-
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,880,502	\$ -	-
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	18,883	\$ -	-
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	5,232	\$ -	-
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	65	\$ -	-
STREET LIGHTING SERVICE CLASSIFICATION	kW	774	\$ -	-
Total			\$ -	

2

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

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

1580, Sub-account CBR Class B

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Sub- account 1580 CBR Class B Balance	0
RESIDENTIAL SERVICE CLASSIFICATION	kWh	13,831,681	-\$ 1,099	-
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,880,502	-\$ 388	-
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	18,883	-\$ 568	-
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	5,232	-\$ 0	-
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	65	-\$ 2	-
STREET LIGHTING SERVICE CLASSIFICATION	kW	774	-\$ 23	-
Total			-\$ 2,080	

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	Allocated Global Adjustment Balance	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL SERVICE CLASSIFICATION	kWh	-	\$ -	-
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	-	\$ -	-
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kWh	7,147,174	\$ 99,237	0.0006
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	-	\$ -	-
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	-	\$ -	-
STREET LIGHTING SERVICE CLASSIFICATION	kWh	-	\$ -	-
Total			\$ 99,237	

Rate Rider Calculation for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	1,033	\$ 40,553	\$ 0.14
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,880,502	\$ 14,309	\$ 0.0001
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	18,883	\$ 20,955	\$ 0.0462
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	5,232	\$ 15	\$ 0.0001
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	65	\$ 73	\$ 0.0465
STREET LIGHTING SERVICE CLASSIFICATION	kW	774	\$ 833	\$ 0.0448
Total			\$ 76,737	

1

Rate Rider Calculation for Accounts 1575 and 1576

Please indicate the Rate Rider Recovery Period (in months)

24

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Accounts 1575 and 1576 Balances	Rate Rider for Accounts 1575 and 1576
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	1,033	\$ 16,317	0.0548
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,880,502	\$ 5,758	0.0000
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	18,883	\$ 8,432	0.0186
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	5,232	\$ 6	0.0000
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	65	\$ 29	0.0187
STREET LIGHTING SERVICE CLASSIFICATION	kW	774	\$ 335	0.0180
Total			\$ 30,877	

Rate Rider Calculation for Accounts 1568

Please indicate the Rate Rider Recovery Period (in months)

48

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Account 1568 Balance	Rate Rider for Account 1568
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	1,033	-\$ 70,709	- 0.1188
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	4,880,502	\$ 43,275	0.0002
GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION	kW	18,883	\$ 13,214	0.0146
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	5,232	\$ -	-
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	65	\$ -	-
STREET LIGHTING SERVICE CLASSIFICATION	kW	774	\$ 6,340	0.1707
Total			-\$ 7,880	

2

9.10 GLOBAL ADJUSTMENT

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

CPUC 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. CPUC 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

CPUC did not have any customers switch from Class B to Class A during the 2017 rate year. As a result, completion of tab 5a. GA_Allocation_Class A is not applicable. ²³

CPUC 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 CPUC 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

Global Adjustment

As at December 31, 2016, CPUC did not have any Class A customers. CPUC's Class B customers pay the global adjustment ("GA") charge based on the amount of electricity they consume in a month (kWh). Within the Class B group, there are two categories of customers: RPP customers who pay an RPP rate which has a built-in GA adjustment component and the remaining non-RPP customers who pay the Hourly Ontario Electricity Price, and a monthly GA price listed separately on their bill. CPUC uses the GA first estimate to bill its non-RPP Class B customers and to calculate and record unbilled revenues. This treatment is applicable to all customer classes.

For Class B customers, RSVA Account 1589 captures the difference between the GA amounts billed to non-RPP customers and the actual GA amount paid for those customers by the distributor to the IESO or host distributor.

Monthly Settlement Submissions²⁶

When completing the monthly submission for IESO settlements, CPUC uses a top-down approach. CPUC starts by collecting the current month's wholesale metering data from our third-party meter management vendor, Sensus, to calculate the total load (kWh) purchased. Data is then collected from our billing system to determine the split between RPP and non-RPP volumes. CPUC is required to settle the difference between revenues billed to RPP customers (three-tiered TOU pricing and the two-tiered RPP pricing), and the wholesale cost of power, which includes the amount of the global adjustment allocated to this portion of the distributor's load. The first estimate of the GA is used for this initial calculation, but once the actual GA rate is

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.

²⁶ MFR - RPP Settlement True-Up - distributors to follow guidance in May 23, 2017 letter pertaining to the period that is being requested for disposition for Accounts 1588 and 1589

known, an adjustment is made to true-up in the following month. CPUC performs a reconciliation to verify that the year-end balances in the 1588-Power and 1589-GA variance accounts are accurate while ensuring amounts requested for disposition pertain to the correct year.

CPUC has completed the Board's Account 1589 Global Adjustment Analysis Workform, which shows some unresolved differences from expected results.

Overall Process and Procedural Controls over the IESO Settlement Process

Management is knowledgeable on the methodologies pursuant to the OEB and IESO requirements and is responsible for updating internal processes and procedures accordingly. Management is also responsible for the settlement spreadsheet and to meet changing OEB/IESO settlement requirements.

CPUC does not have its own embedded generation. However, CPUC does have Fit/MicroFITs.

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. However, CPUC notes that it may be necessary to create a foregone revenue to capture the revenue increase from the 2018 IRM application. CPUC 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.^{27 28}

²⁷ MFR - Statement as to any new accounts, and justification.

²⁸ MFR - New DVA - information provided which addresses that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order.

9.11.2 CERTIFICATION OF EVIDENCE

As Manager of Finance. I Jennifer Cyr, certify that, to the best of my knowledge or otherwise specified, the evidence filed in this Exhibit, is complete, and consistent with the requirements of the Chapter 2 Filing Requirements for Electricity Distribution Rate Applications as revised on July 12, 2018 and other OEB policies. I also confirm that basic internal controls and processes are in place for the preparation, review, verification and oversight of any account balances that are being requested for disposal. However, CPUC commits to putting more robust controls in place before year end and in time to track 2018 balances correctly²⁹.

The GA Analysis Workform in live Excel format- complete GA Analysis Workform is filed with this application³⁰

²⁹ MFR – Certification by the CEO, CFO or equivalent that distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of account balances being proposed for disposition

³⁰ MFR - GA Analysis Workform in live Excel format- complete GA Analysis Workform; explain discrepancies

1 **APPENDICES**

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n/a	

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