EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

2020 Cost of Service

Hydro 2000 Inc.
EB-2019-0041

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9.1.1 TABLE OF CONTENTS

9.1.1 LIST OF FIGURES AND TABLES

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, 2018. 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. Hydro 2000 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 Hydro 2000's Audited Financial Statements.

Hydro 2000 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.

Hydro 2000 proposes to dispose of a credit of $415,266 related to Group 1 and debit of $48,218 related to Group 2 Variance/Deferral Accounts. This credit includes carrying charges up to and including December 31, 2018. Hydro 2000 also proposes to dispose of the following:

- A net balance of $16,872 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account,
- A net balance of $27,109 recorded in account 1592 being the PILs and Tax Variance for 2006 and subsequent years.

Group 1 and Group 2 DVA balances are proposed to be disposed of over 2 years. Hydro 2000 has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

Hydro 2000 underwent an OEB audit in 2018 and 2019. As a result of this audit, Hydro 2000 has adjusted its 2015 and 2016 DVA balances which have not been previously approved by the Board on a final basis in a previous proceeding. [1]

Hydro 2000 is not requesting any new accounts or sub-accounts at this time.

A breakdown of energy sales and cost of power expense balances, as reported in Hydro 2000's Audited Financial Statements, is provided Section 9.10.2.

Hydro 2000 confirms that it pro-rates the IESO Global Adjustment Charge into the RPP and Non-RPP 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 APPLICANT[2]

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, 2018, being the most recent date, the balances were 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, Hydro 2000 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	56,034	kWh
Smart Metering Entity Charge Variance Account	1551	523	# of Customers
RSVA - Wholesale Market Service Charge	1580	498	kWh
RSVA - Retail Transmission Network Charge	1584	9,922	kWh
RSVA - Retail Transmission Connection Charge	1586	8,839	kWh
RSVA - Power (excluding Global Adjustment)	1588	(491,081)	kWh
RSVA - Global Adjustment	1589	90,204	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	0	%
Total of Group 1 Accounts (excluding 1589)		**(415,266)**	

Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	48,869	kWh
Pole Attachment Revenue Variance	1508	(615)	kWh
Retail Service Charge Incremental Revenue	1508	0	kWh
Other Regulatory Assets - Sub-Account - Other	1508	0	kWh
	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

Retail Cost Variance Account - Retail	1518	0	kWh
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	0	kWh
Misc. Deferred Debits	1525	0	kWh
Retail Cost Variance Account - STR	1548	0	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		**48,218**	

PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	25,467	kWh
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	1,642	kWh
Total of Account 1592		**27,109**	

LRAM Variance Account (Enter dollar amount for each class)	**1568**	**16,872**	

Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	0	kWh

Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)	**75,318**	
Total of Account 1580 and 1588 (not allocated to WMPs)	**(490,584)**	
Account 1589 (allocated to Non-WMPs)	**90,204**	

Group 2 Accounts (including 1592, 1532, 1555)	**75,327**	

IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	36,705	kWh
Total of Accounts 1575 and 1576		**36,705**	

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9.3.2 DISPOSITION OF DVAS USED BY THE APPLICANT[3]

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, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 $56,034.

1551 – Smart Metering Entity Charge Variance Account

For account 1551, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 $523.

1580 – Retail Settlement Variance Account 1 – Wholesale Market Service Charges ("RSVAWMS")[4]

For account 1580, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 $498.

[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, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 $9,922.

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, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 $8,839.

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

Account 1588 – RSVA Power is used to record net differences between power sales accrued (i.e. unbilled revenue) and billed to Regulated Price Plan (RPP) and non-RPP customers, and power costs accrued and paid to the Independent Electricity System Operator (IESO), host distributor or embedded generator.

For account 1588, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 -$491,081.

1589 – Retail Settlement Variance Account – Global Adjustment ("RSVAGA")

Account 1589 - RSVAGA is used to record net differences between Global Adjustment (GA) accrued (i.e. unbilled revenue) and billed to non-RPP customers, and GA costs accrued and paid to the IESO or host distributor relating to Class B non-RPP customers.

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, Hydro 2000 is requesting disposition of the December 31, 2018, audited balance. Hydro 2000 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 $90,204.

Group 2 Accounts[5]

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:

[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.

Hydro 2000 has recorded its incremental costs in this account beginning in 2013. Hydro 2000's application for 2020 rates is being filed under IFRS, and as such, the utility has completed all of its transition to IFRS.

Hydro 2000 has an audited balance in its IFRS transition cost account of $48,218. All costs included in the account are fully incremental, and Hydro 2000 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 2013 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.

Hydro 2000 attests that no "one-time" administrative incremental IFRS transition costs are embedded in the proposed 2020 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, Hist Year 2015. Accordingly, incremental transition costs incurred after the beginning of the year of adoption are expected to be minimal."*

Hydro 2000's costs associated with the conversion to IFRS relate solely to professional accounting and as such meet the criterion of the APH.

Hydro 2000 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. Hydro 2000 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, Hydro 2000 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.

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 (%)

Period	**Interest Rate**
Q1 2020	2.18
Q4 2019	2.18
Q3 2019	2.18
Q2 2019	2.18
Q1 2019	2.45
Q4 2018	2.17
Q3 2018	1.89
Q2 2018	1.89
Q1 2018	1.50
Q4 2017	1.50
Q3 2017	1.10
Q2 2017	1.10

[6] MFR - Identification of Group 2 accounts that will continue/discontinue going forward, with explanation
[7] MFR - Confirm use of interest rates established by the OEB by month or by quarter for each year

Q1 2017	1.10
Q4 2016	1.10
Q3 2016	1.10
Q2 2016	1.10
Q1 2016	1.10
Q4 2015	1.10
Q3 2015	1.10
Q2 2015	1.10
Q1 2015	1.47
Q4 2014	1.47
Q3 2014	1.47
Q2 2014	1.47
Q1 2014	1.47

Note that Hydro 2000 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

Closing Interest Balances as of December 31, 2018, Adjusted for Dispositions during 2020 are detailed in the table below:

Table 3 - Closing Interest Balances as of Dec 31, Hist 2018, Adj. for Dispositions during 2020

Group 1 Accounts		Closing Principal Balances as of Dec 31-18 Adjusted for Dispositions during 2019	Closing Interest Balances as of Dec 31-18 Adjusted for Dispositions during 2019	Total Interest	Total Claim
LV Variance Account	1550	$55,269	-$842	$765	$56,033.94
Smart Metering Entity Charge Variance Account	1551	$508	$0	$15	$522.64
RSVA - Wholesale Market Service Charge5	1580	$554	-$72	-$56	$497.51
Variance WMS – Sub-account CBR Class A5	1580	$0	$0	$0	$0.00
Variance WMS – Sub-account CBR Class B5	1580	$0	$0	$0	$0.00
RSVA - Retail Transmission Network Charge	1584	$9,749	-$110	$173	$9,922.38
RSVA - Retail Transmission Connection Charge	1586	$8,717	-$132	$122	$8,838.77
RSVA - Power (excluding Global Adjustment)4	1588	-$482,047	$4,977	-$9,034	-$491,081.11
RSVA - Global Adjustment 4	1589	$81,599	$6,233	$8,605	$90,204.50

Disposition and Recovery/Refund of Regulatory Balances (2013)3	1595	-$0	$0	-$0	$0.00
Disposition and Recovery/Refund of Regulatory Balances (2014)3	1595	-$0	$0	$0	$0.00
Disposition and Recovery/Refund of Regulatory Balances (2015)3	1595	$5,493	$187	$347	$0.00
Disposition and Recovery/Refund of Regulatory Balances (2016)3	1595	-$5,492	$256	$96	$0.00
Disposition and Recovery/Refund of Regulatory Balances (2017)3	1595	$0	$0	$0	$0.00
Disposition and Recovery/Refund of Regulatory Balances (2018)3	1595	$0	$0	$0	$0.00
Not to be disposed of until a year after rate rider has expired and that balance has been audited					
Group 1 Sub-Total (including Account 1589 - Global Adjustment)		-$325,650	$10,498	$1,032	-$325,061.37
Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)		-$407,249	$4,265	-$7,573	-$415,265.87
RSVA - Global Adjustment 12	**1589**	$81,599	$6,233	$8,605	$90,204.50

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Group 2 Accounts		**Closing Principal Balances as of Dec 31-18 Adjusted for Dispositions during 2019**	**Closing Interest Balances as of Dec 31-18 Adjusted for Dispositions during 2019**	**Total Interest**	**Total Claim**
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	$45,015	$2,545	$3,854	$48,869.21
Pole Attachment Revenue Variance[5]	1508	-$615	-$5	-$20	-$651
Retail Service Charge Incremental Revenue[6]	1508				
Other Regulatory Assets - Sub-Account - Other	1508				
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508				
Pole Attachment Revenue Variance[5]	1508				
Retail Service Charge Incremental Revenue[6]	1508				
Retail Cost Variance Account - Retail	1518				
Misc. Deferred Debits	1525				
Retail Cost Variance Account - STR	1548				
Board-Approved CDM Variance Account	1567				
Extra-Ordinary Event Costs	1572				
Deferred Rate Impact Amounts	1574				
RSVA - One-time	1582				
Other Deferred Credits	2425				

Group 2 Sub-Total		$44,385	$2,544	$3,834	$48,218.21
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)	1592	$19,299	$5,607	$6,168	$25,466.71
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	-$5,001	$6,788	$6,643	$1,641.86
LRAM Variance Account[11]	**1568**	$460	$16,412	$16,412	$16,872.00
Total including Account 1568		$59,142	$31,351	$33,057	$92,198.78
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential	1522				
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account	1522				
Renewable Generation Connection Capital Deferral Account	1531				
Renewable Generation Connection OM&A Deferral Account	1532				
Renewable Generation Connection Funding Adder Deferral Account	1533				
Smart Grid Capital Deferral Account	1534				
Smart Grid OM&A Deferral Account	1535	$1,143	$112	$145	$1,287.87
Smart Grid Funding Adder Deferral Account	1536				
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	-$3,381	-$505	-$603	$0.00
Meter Cost Deferral Account (MIST Meters)[3]	1557				
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575				
Accounting Changes Under CGAAP Balance + Return Component	1576				

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9.3.4 DEPARTURE FROM BOARD APPROVED BALANCES

Hydro 2000 has not made any adjustments to deferral and variance account balances that were 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 2018 audited financial statements is requested. The sale of energy is a flow through revenue and the cost of power is a flow through expense. Hydro 2000 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 2018 RRR 2.1.7 [8] Mapping of the 2018 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

Power Supply Expenses	***2018***
4705-Power Purchased	$621,818
4707-Global Adjustment	$363,926
4708-Charges-WMS	$89,516
4710-Cost of Power Adjustments	$0
4712-Charges-One-Time	$0
4714-Charges-NW	$132,804
4715-System Control and Load Dispatching	$0
4716-Charges-CN	$105,608
4720-Other Expenses	$0
4725-Competition Transition Expense	$0
4730-Rural Rate Assistance Expense	$0
4750-Charges - LV	$111,490
4751-IESO Smart Meter Entity Expenses	$6,712
Total	**$1,431,875**

[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.

Sales of Electricity	***2018***
4006-Residential Energy Sales	-$106,954
4010-Commercial Energy Sales	$0
4015-Industrial Energy Sales	$0
4020-Energy Sales to Large Users	$0
4025-Street Lighting Energy Sales	-$15,157
4030-Sentinel Lighting Energy Sales	$0
4035-General Energy Sales	-$841,265
4040-Other Energy Sales to Public Authorities	$0
4045-Energy Sales to Railroads and Railways	$0
4050-Revenue Adjustment	$0
4055-Energy Sales for Resale	-$22,368
4060-Interdepartmental Energy Sales	$0
4062-Billed WMS	-$89,516
4064-Billed One-Time	$0
4066-Billed NW	-$132,804
4068-Billed CN	-$105,608
4071-Charges – Smart Metering Entity Charge	$0
4075-Billed - LV	-$111,490
4076-IESO Smart Meter Entity Billed	-$6,712
Total	**-$1,431,875**

As can be seen in the comparison above, there is no difference between energy sales and cost of power expense reported numbers. Hydro 2000 confirms that this is the case for all historical years.

9.3.6 PROPOSED CHARGE PARAMETERS

Hydro 2000 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
LV Variance Account	1550	kWh
Smart Metering Entity Charge Variance Account	1551	# of Customers
RSVA - Wholesale Market Service Charge	1580	kWh
RSVA - Retail Transmission Network Charge	1584	kWh
RSVA - Retail Transmission Connection Charge	1586	kWh
RSVA - Power (excluding Global Adjustment)	1588	kWh
RSVA - Global Adjustment	1589	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances ([BA])	1595	%
Disposition and Recovery/Refund of Regulatory Balances (Hist Year])	1595	%
Disposition and Recovery/Refund of Regulatory Balances (Hist Year])	1595	%
Disposition and Recovery/Refund of Regulatory Balances (Hist Year 1])	1595	%
Disposition and Recovery/Refund of Regulatory Balances (Hist Year 2])	1595	%
Disposition and Recovery/Refund of Regulatory Balances (Hist Year 3])	1595	%
Total of Group 1 Accounts (excluding 1589)		
Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs	1508	kWh
Other Regulatory Assets - Sub-Account - Incremental Capital Charges	1508	kWh
Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act	1508	kWh
Other Regulatory Assets - Sub-Account - Other	1508	kWh
Ontario Rebate for Electricity Consumers (OREC)	1508	kWh
OFHP Distribution Rate Protection (DRP)	1508	kWh
OFHP Non-RPP Consumer (GA Modifier)	1508	kWh
Retail Cost Variance Account - Retail	1518	kWh
LRAMVA	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.

9.3.7 DISPOSITION OF ACCOUNT 1595

Hydro 2000 is not proposing to dispose of any 1595 balances as part of this application.

The 2017 audited balances which were approved as part of Hydro 2000's 2019 IRM Application will reach its sunset at the end of this rate year. However, they will not be audited; therefore, Hydro 2000 is not seeking to dispose of it. All filing requirements related to 1595 including populating the 1595 Workform are not applicable in this case.

Hydro 2000 also confirms that there are no residual balances for vintage Account 1595 being disposed of and that all historical dispositions of 1595 have only been done once.

Hydro 2000 confirms that there are no material residual balances which require further analysis, consisting of separating the components of the residual balances by each applicable rate rider and by customer rate class.

As such, Hydro 2000 does not need to provide detailed explanations for any significant residual balances attributable to specific rate riders for each customer rate class including volume differences between forecast volumes (used to calculate the rate riders) as compared to actual volumes at which the rate riders were billed.

9.4 DERIVATION OF COST OF POWER

9.4.1 BREAKDOWN OF THE COST OF POWER

Hydro 2000 calculated the cost of power for the 2019 Bridge Year and the 2020 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, 2019, to April 30, 2020. Should the Board publish a revised Regulated Price Plan Report prior to the Board's Decision in the application, Hydro 2000 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. Hydro 2000 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 Hydro 2000's cost of power is summarized in Table 6 below and detailed in Table 6 – Summary of Cost of Power to Low Voltage Charges;

Table 6 – Summary of Cost of Power 2020

CoP Components	**Total $**
Commodity	$2,602,040
Transmission Network	$137,508
Transmission Connection	$117,050
Wholesale Market Service	$52,761
Rural Rate Protection	$8,794
Smart Meter Entity Charge	$8,503
Low Voltage	$164,098
TOTAL	**$3,090,754**

The Commodity share of the Cost of Power is calculated in the same manner as has been previously approved by the OEB in Hydro 2000'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, 2019, to April 30, 2020, issued by the Ontario Energy Board.

Table 7 - Calculation of Commodity

Determination of Commodity

Customer Class Name	Last Actual kWh's	Class B kWh	Non-RPP	RPP	non-RPP (%)	RPP (%)
Residential	12,791,618	12,791,618	166,407	12,625,211	*1.30%*	*98.70%*
General Service < 50 kW	4,062,996	4,062,996	437,411	3,625,585	*10.77%*	*89.23%*
General Service > 50 to 4999 kW	4,274,766	4,274,766	4,274,766	0	*100.00%*	*0.00%*
Street Lighting	153,342	153,342	153,342	0	*100.00%*	*0.00%*
Unmetered Scattered Load	17,280	17,280	17,280	0	*100.00%*	*0.00%*
TOTAL	**21,300,002**	**21,300,002**	**5,049,206**	**16,250,796**		
%	*100.00%*	*100.00%*		*76.29%*	*23.71%*	*76.29%*

Forecasted Commodity Prices

Table 1: Average RPP Supply Cost Summary**

			non-RPP	RPP
Forecast Wholesale Electric Price			**Non RPP**	
HOEP ($/MWh)	Load-Weighted Price for RPP Consumers		$18.50	
Global Adjustment ($/MWh)	Impact of the Global Adjustment		$106.94	
Adjustments ($/MWh)			$1.00	
TOTAL ($/MWh)	Average Supply Cost for RPP Consumers		**$126.44**	**$128.03**
$/kWh			***$0.12644***	***$0.12803***
Percentage shares (%)	Non-RPP (GA mod/non-GA mod), RPP		23.71%	76.29%
WEIGHTED AVERAGE PRICE ($/kWh)	**(Sum of I43, J43 and L43)**	$ 0.1277	**$0.0300**	**$0.0977**

Commodity Expense

(volumes for the bridge and test year are loss adjusted)

Class A

Customer	Amount	kWh Volume	kW Volume	HOEP Rate/kWh	Avg GA/kW	Amount
General Service > 50 to 4999 kW	$0			0.02		$0
Street Lighting	$0			0.02		$0
	$0					$0

Class B				
Customer				
Class Name	Amount	Volume	rate ($/kWh):	Amount
Residential	$1,630,835	12,367,886	$0.1277	$1,578,799
General Service < 50 kW	$510,022	3,861,286	$0.1277	$492,905
General Service > 50 to 4999 kW	$521,350	3,984,230	$0.1277	$508,599
Street Lighting	$19,519	153,000	$0.1277	$19,531
Unmetered Scattered Load	$2,206	17,280	$0.1277	$2,206
TOTAL	**$2,683,932**	**20,383,682**		**$2,602,040**

Total				
Customer				
Class Name		Volume	avg rate ($/kWh):	Amount
Residential		12,367,886	$0.1277	$1,578,799
General Service < 50 kW		3,861,286	$0.1277	$492,905
General Service > 50 to 4999 kW		3,984,230	$0.1277	$508,599
Street Lighting		153,000	$0.1277	$19,531
Unmetered Scattered Load		17,280	$0.1277	$2,206
TOTAL		**20,383,682**		**$2,602,040**

1 1 - Regulated Price Plan Price Report November 1, 2019 to October 31, 2020 Ontario Energy Board October 22, 2019.

Table 8 - RPP Supply Cost Summary

Table ES-1: Average RPP Supply Cost Summary (for the period from November 1, 2019 through October 31, 2020)

RPP Supply Cost Summary for the period from November 1, 2019 through October 31, 2020		$/MWh
Forecast Wholesale Electricity Price - Simple Average		$18.50
Load-Weighted Costs for RPP Consumers		
Wholesale Electricity Cost - RPP-Weighted		$20.09
Global Adjustment	+	$106.94
Adjustment to Address Bias Towards Unfavourable Variance	+	$1.00
Average Supply Cost for RPP Consumers	=	**$128.03**

Source: Power Advisory LLC

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 2020 Load Forecast to determine the commodity to be included in the Cost of Power. The commodity cost for 2020 is projected at $2,602,040.

Transmission - Network

(volumes for the bridge and test year are automatically loss adjusted)

			2020		
Customer					
Class Name			Volume	Rate	Amount
Residential	kWh		13,379,994	0.0064	$86,142
General Service < 50 kW	kWh		4,177,269	0.0059	$24,689
General Service > 50 to 4999 kW	kW		10,671	2.4177	$25,799
Street Lighting	kW		421	1.8232	$768
Unmetered Scattered Load	kWh		18,694	0.0059	$110
TOTAL			17,587,049		$137,508

Transmission - Connection

(volumes for the bridge and test year are automatically loss adjusted)

			2020		
Customer					
Class Name			Volume	Rate	Amount
Residential	kWh		13,379,994	0.0054	$72,696
General Service < 50 kW	kWh		4,177,269	0.0052	$21,750
General Service > 50 to 4999 kW	kW		10,671	2.0467	$21,841
Street Lighting	kW		421	1.5823	$666

Unmetered Scattered Load	kWh		18,694	0.0052	$97
TOTAL			17,587,049		$117,050

Wholesale Market Service

(volumes for the bridge and test year are automatically loss adjusted)

			2020		
Customer					
Class Name			Volume	Rate	Amount
Residential	kWh		13,379,994	0.0030	$40,140
General Service < 50 kW	kWh		4,177,269	0.0030	$12,532
General Service > 50 to 4999 kW	kW		10,671	0.0030	$32
Street Lighting	kW		421	0.0030	$1
Unmetered Scattered Load	kWh		18,694	0.0030	$56
TOTAL			17,587,049		$52,761

Rural Rate Protection

(volumes for the bridge and test year are automatically loss adjusted)

			2020		
Customer					
Class Name			Volume	Rate	Amount
Residential	kWh		13,379,994	0.0005	$6,690
General Service < 50 kW	kWh		4,177,269	0.0005	$2,089
General Service > 50 to 4999 kW	kW		10,671	0.0005	$5
Street Lighting	kW		421	0.0005	$0
Unmetered Scattered Load	kWh		18,694	0.0005	$9
TOTAL			17,587,049		$8,794

Smart Meter Entity Charge

(per customer)

			2020		
Customer				**rate ($/kWh):**	
Class Name		Amount	Volume		Amount
Residential	kWh	$615	1,089	0.5700	$7,448
General Service < 50 kW	kWh	$82	143	0.5700	$981
General Service > 50 to 4999 kW	kW	$6	11	0.5700	$74
TOTAL		**$703**	**1,243**		**$8,503**

Low Voltage Charges - Historical and Proposed LV Charges

	2014	2015	2016	2017	2018	5 year avg
4075-Billed - LV	$122,596	$114,071	$97,480	$107,067	$111,490	$110,541
4750-Charges - LV	$155,792	$181,134	$166,153	$158,444	$166,760	$164,385

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

(volumes are not loss adjusted)

	ALLOCATON BASED ON TRANSMISSION-CONNECTION REVENUE				
Customer Class Name		**RTSR Rate**	**Not Uplifted**	**Revenue**	**% Alloc**
Residential	kWh	**$0.0054**	12,367,886	$67,197	61.14%
General Service < 50 kW	kWh	**$0.0052**	3,861,286	$20,105	18.29%
General Service > 50 to 4999 kW	kW	**$2.0467**	10,671	$21,841	19.87%
Street Lighting	kW	**$1.5823**	421	$666	0.61%
Unmetered Scattered Load	kWh	**$0.0052**	17,280	$90	0.08%
TOTAL			**16,257,544**	$109,898.14	100.00%

Low Voltage Charges Rate Rider Calculations

(volumes are not loss adjusted)

	% Alloc				
Customer Class Name	**% Allocation**	**Charges**	**Not Uplifted Volumes**	**Rate**	**per**
Residential	61.14%	100,512	12,367,886	$0.0081	kWh
General Service < 50 kW	18.29%	30,073	3,861,286	$0.0078	kWh
General Service > 50 to 4999 kW	19.87%	32,669	10,671	$3.0615	kW
Street Lighting	0.61%	996	421	$2.3668	kW
Unmetered Scattered Load	0.08%	135	17,280	$0.0078	kWh
TOTAL	**100.00%**	164,385	16,257,544		

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

(volumes are not loss adjusted)

Customer			**2020**		
Class Name		Amount	Volume	Rate	Amount
Residential	kWh	$68,988	12,367,886	$0.0081	$100,180
General Service < 50 kW	kWh	$20,776	3,861,286	$0.0078	$30,118
General Service > 50 to 4999 kW	kW	$21,239	10,671	$3.0615	$32,669
Street Lighting	kW	$630	421	$2.3668	$996
Unmetered Scattered Load	kWh	$90	17,280	$0.0078	$135
TOTAL		$111,724	16,257,544		$164,098

Projected Power Supply Expense					**$3,090,754**

Transmission Network

The Transmission Network charges are calculated in the OEB's RTSR model. The Rates are applied to the 2020 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 2020 is projected at $137,508

Transmission Connection

The Transmission Connection charges are also calculated in the OEB's RTSR model. The Rates are applied to the 2020 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 2020 is projected at $117,050

Wholesale Market

On December 15, 2017, the OEB released Decision and Order for the Wholesale Market Service (WMS) effective January 1, 2018]. 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, 2018. 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, Hydro 2000 has applied the Board Approved $0.0036/kWh to its 2020 Load Forecast to include $52,761 in its Cost of Power.

Rural Rate Protection

In compliance with this order, Hydro 2000 has applied the Board Approved $0.0005/kWh to its 2020 Load Forecast to include $8,794 in its Cost of Power.

Smart Meter Entity

In compliance with this order, Hydro 2000 has applied the Board Approved $0.57/kWh to its 2020 Customer Forecast to include $8,503 in its Cost of Power.

Low Voltage Charges

The table below presents the derivation of proposed retail rates for Low Voltage ("LV") service. The 2020 estimates of total LV charges were calculated based on an average of the last 5 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 2020 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. 2020 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 2020 is projected at $164,208.

	2012	2013	2014	2015	2016	2017	2018	5-year avg
4075-Billed - LV	$121,257	$122,064	$122,596	$114,071	$97,480	$107,067	$111,490	$110,541
4750-Charges - LV	$184,993	$155,452	$155,792	$181,134	$166,153	$158,444	$166,760	$164,385

9.5 RETAIL SERVICE CHARGE

9.5.1 OVERVIEW[9][10]

Hydro 2000 does not use accounts 1518 and 1548. The balances in both accounts are 0.

9.6 ONE-TIME INCREMENTAL IFRS COST

9.6.1 OVERVIEW OF ONE TIME COSTS

Hydro 2000 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 OVERVIEW[11]

OEB policy dictates that 1575 and 1576 cannot be used interchangeably. Hydro 2000 confirms that it has not used 1575 in this application but has used 1576 as explained below.

9.8 ACCOUNT 1576, ACCOUNTING CHANGES UNDER CGAAP

9.8.1 OVERVIEW

[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

[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

Hydro 2000 complied with the Board's letter issued July 17, 2012 which stated that utilities must change their depreciation expense and capitalization policies. Hydro 2000 confirms that it has complied with the requirements and 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.

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

Hydro 2000 has calculated and recorded the actual differences up to December 31, 2018 and included a calculation of the projected differences up to December 31, 2019 in account 1576.

Hydro 2000 is requesting disposition of the balance of $67,379 over a 2-year period. No carrying charges are included in this balance. The calculation of the balances followed the methodology provided in the OEBs FAQ issued July 2012. The OEB Appendix entitled 2-EE Account 1576 is presented at the next page.

For the year 2018, the difference in the net fixed assets between the MIFRS and Old CGAAP is calculated as -$33,175. This amount plus -$3,530 in return on Rate Base, was booked into account 1576 as a credit to customers. The Return on Rate Base Associated with Account 1576 balance at the Weighted Average Cost of Capital ("WACC") is shown below. The WACC is consistent with the rate shown in Exhibit 5.

Table 16: Return on Rate Base associated with account 1576

Reporting Basis	Prior Years Rebasing	2013	2014	2015	2016	2017	2018	2019	2020 Rebasing Year
	CGAAP	CGAAP	CGAAP	MIFRS - Note 5	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
		$	$		$				
PP&E Values under former CGAAP									
Opening net PP&E - Note 1		550,318	494,635	512,586	497,403	465,528	469,277	460,954	
Net Additions - Note 4		25,452	79,385	38,167	19,822	52,147	41,247	116,554	
Net Depreciation (amounts should be negative) - Note 4		-81,135	-61,434	-53,350	-51,697	-48,398	-49,570	-43,176	
Closing net PP&E (1)		494,635	512,586	497,403	465,528	469,277	460,954	534,332	
PP&E Values under revised CGAAP (Starts from 2012)									
Opening net PP&E - Note 1		550,318	513,789	534,870	521,137	488,722	493,545	489,080	
Net Additions - Note 4		25,452	79,385	38,167	19,822	52,147	41,247	116,554	
Net Depreciation (amounts should be negative) - Note 4		-61,981	-58,304	-51,900	-52,237	-47,324	-45,712	-38,128	
Closing net PP&E (2)		513,789	534,870	521,137	488,722	493,545	489,080	567,507	
Difference in Closing net PP&E, former CGAAP vs. revised CGAAP		-19,154	-22,284	-23,734	-23,194	-24,268	-28,126	-33,175	

Effect on Deferral and Variance Account Rate Riders				
Closing balance in Account 1576	-	33,175	**WACC**	5.32%
Return on Rate Base Associated with Account 1576 balance at WACC - Note 2	-	3,530	**# of years of rate rider disposition period**	2
Amount included in Deferral and Variance Account Rate Rider Calculation	-	36,705		

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

Hydro 2000 has recorded its balances under CGAAP and under MIFRS in the OEB Appendix e-EE Account 1576. Hydro 2000 notes that there were no accounting changes resulting from CGAAP and the adoption to MIFRS other than the difference in depreciation expense.

Hydro 2000 seeks to dispose of this balance over a period of 2 years. The rate rider is presented in the OEB Appendices at the next page. Note that this balance was calculated as part of this application and therefore, the balance is not reflected in the utility's December 31, 2018 audited balance nor with filing 2.1.7 of the RRR. The utility does not anticipate using this account once 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, 2018, being the most recent date, the balances were 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, Hydro 2000 proposes to dispose of all its balances listed in the table below.

The 2020_DVA_Continuity_Schedule detailing each account is being filed in conjunction with this application.[13]

Table 9 - DVA Balances sought for Disposition

		Amounts from Sheet 2	Allocator
LV Variance Account	1550	56,034	kWh
Smart Metering Entity Charge Variance Account	1551	523	# of Customers
RSVA - Wholesale Market Service Charge	1580	498	kWh
RSVA - Retail Transmission Network Charge	1584	9,922	kWh
RSVA - Retail Transmission Connection Charge	1586	8,839	kWh
RSVA - Power (excluding Global Adjustment)	1588	(491,081)	kWh
RSVA - Global Adjustment	1589	90,204	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2013)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2014)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2015)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	0	%
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	0	%
Total of Group 1 Accounts (excluding 1589)		**(415,266)**	

[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	48,869	kWh
Pole Attachment Revenue Variance	1508	-651	kWh
Retail Service Charge Incremental Revenue	1508	0	kWh
Other Regulatory Assets - Sub-Account - Other	1508	0	kWh
	1508	0	kWh
Retail Cost Variance Account - Retail	1518	0	kWh
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	0	kWh
Misc. Deferred Debits	1525	0	kWh
Retail Cost Variance Account - STR	1548	0	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		**48,218**	

PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	25,467	kWh
PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)	1592	1,642	kWh
Total of Account 1592		**27,109**	

LRAM Variance Account (Enter dollar amount for each class)	**1568**	**16,872**	

Renewable Generation Connection OM&A Deferral Account	1532	0	kWh
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	0	kWh

Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)	**75,318**	
Total of Account 1580 and 1588 (not allocated to WMPs)	**(490,584)**	
Account 1589 (allocated to Non-WMPs)	**90,204**	

Group 2 Accounts (including 1592, 1532, 1555)	**75,327**	

IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	(36,705)	kWh
Total of Accounts 1575 and 1576		**(36,705)**	

Hydro 2000 is fully embedded into Hydro One's territory and does not have any Market Participants. As such, it does not need to 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.[14]

With the exception of account 1568 – LRAMVA and account 1576 – Accounting Changes Under CGGAP Balances, both of which are calculated in this proceeding, Hydro 2000 does not currently have any balances proposed for disposition that are not consistent with the last Audited Financial Statements.[15] [16] [17]

[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

Hydro 2000 notes that all relevant calculations are embedded in the 2020_DVA_Continuity_Schedule_CoS OEB provided model. [18]

The utility did not propose any billing determinants that are different that the OEB standard. Hydro 2000 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).

Hydro 2000 is proposing to dispose of balances in Group 1 and 2 over a period of 24 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 24 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, Hist 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.

Table 10 - Deferral and Variance Rate Riders[21]

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	12,367,886	-$251,818	**-$0.0102**
General service less than 50 kw service classification	kWh	3,861,286	-$78,704	**-$0.0102**
General service 50 to 4,999 kw service classification	**kW**	10,671	-$81,271	**-$3.8080**
Street lighting service classification	**kW**	421	-$3,121	**-$3.7065**
Unmetered scattered load service classification	kWh	17,280	-$352	**-$0.0102**
Total			**-$415,266**	

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	166,407	$3,155	**$0.0095**
General service less than 50 kw service classification	kWh	437,411	$8,292	**$0.0095**
General service 50 to 4,999 kw service classification	kWh	3,984,230	$75,530	**$0.0095**
Street lighting service classification	kWh	153,000	$2,900	**$0.0095**
Unmetered scattered load service classification	kWh	17,280	$328	**$0.0095**
Total			**$90,204**	

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

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

Residential service classification	# of Customers	1,113	$45,705	**$1.7110**
General service less than 50 kw service classification	kWh	3,861,286	$14,269	**$0.0018**
General service 50 to 4,999 kw service classification	**kW**	10,671	$14,724	**$0.6899**
Street lighting service classification	**kW**	421	$565	**$0.6715**
Unmetered scattered load service classification	kWh	17,280	$64	**$0.0018**
Total			**$75,327**	

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	kWh	12,367,886	-$22,271	**-$0.0009**
General service less than 50 kw service classification	kWh	3,861,286	-$6,953	**-$0.0009**
General service 50 to 4,999 kw service classification	**kW**	10,671	-$7,174	**-$0.3362**
Street lighting service classification	**kW**	421	-$276	**-$0.3272**
Unmetered scattered load service classification	kWh	17,280	-$31	**-$0.0009**
Total			**-$36,705**	

Rate Rider Calculation for Accounts 1568

Please indicate the Rate Rider Recovery Period (in months) **24**

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	kWh	12,367,886	$3,649	**$0.0001**
General service less than 50 kw service classification	kWh	3,861,286	$10,992	**$0.0014**
General service 50 to 4,999 kw service classification	**kW**	10,671	$442	**$0.0207**
Street lighting service classification	**kW**	421	$1,790	**$2.1253**
Unmetered scattered load service classification	kWh	17,280	$0	**$0.0000**
Total			**$16,872**	

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9.10 GLOBAL ADJUSTMENT

9.10.1 PRO-RATION OF GLOBAL ADJUSTMENT INTO RPP/NON-RPP[22]

Hydro 2000 confirms that it pro-rated the Global Adjustment Charge into the RPP and non-RPP portions and that Global Adjustment is only being applied to customers that are non-RPP. Hydro 2000 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.

On or before the 4th of the following month, estimates are made and GA is pro-rated between RPP and non-RPP. On or before the 4th of the subsequent month, the same calculations are made with the actual amounts. Adjustments are made to adjust entries of the previous month.

9.10.2 DERIVATION AND CALCULATION OF THE GA RATE RIDER

Hydro 2000 did not have any customers switch from Class B to Class A during the 2018/2019 rate year. As a result, completion of tab 5a. GA_Allocation_Class A is not applicable. [23]

Hydro 2000 does not have any Market Participants therefore it did not need to establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be

[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

allocated the RSVA balances related to charges for which the MP's settle directly with the IESO. [24]

9.10.3 GLOBAL ADJUSTMENT AND THE IESO SETTLEMENT PROCESS [25]

Global Adjustment

As at December 31, 2019, Hydro 2000 did not have any Class A customers. Hydro 2000'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. Hydro 2000 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 Submissions[26]

On or before the 4th of the month, an estimate is made of the sales to RPP and non-RPP customers. An estimate of the purchases is also made. The rates used are the rates which are

[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.
[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 at that time. The claim made is RPP kWh sold divided by total kWh sold multiplied by GA paid.

On or before the 4th of the following month, the same exercise is made with the final numbers (kWh and rates). The difference between the final calculation and the initial calculation is claimed or remitted. Hydro 2000 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 relies on the expertise of it's external accountants Deloitte who are knowledgeable on the methodologies pursuant to the OEB and IESO requirements and is responsible for updating internal processes and procedures accordingly. Management along with Deloitte are also responsible for the settlement spreadsheet and to meet changing OEB/IESO settlement requirements.

Hydro 2000 does not have its own embedded generation. Hydro 2000 has 5 /MicroFit customers.

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. Hydro 2000 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]

9.11.2 CERTIFICATION OF EVIDENCE

[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.

As Manager of Finance. I Lise Wilkinson, 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, 2019 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, Hydro 2000 commits to putting more robust controls in place before year end and in time to track 2019 balances correctly[29].

The GA Analysis Workform in live Excel format- complete GA Analysis Workform is filed with this application[30]

[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 Analy9.11.2sis Workform in live Excel format- complete GA Analysis Workform; explain discrepancies

APPENDICES

n/a	