

SYNERGY NORTH CORPORATION

2021 ELECTRICITY DISTRIBUTION RATE APPLICATION

EB-2020-0055

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ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by SYNERGY NORTH CORPORATION to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2021.

TITLE OF PROCEEDING: An Application by SYNERGY NORTH CORPORATION for an Order or Orders by Rate Zone approving or fixing just and reasonable distribution rates and other charges, effective May 1, 2021.

Application – Relief sought

1. SYNERGY NORTH CORPORATION (SYNERGY NORTH) is a distributor as defined in, and is licensed as such under, the *Ontario Energy Board Act, 1998* (the “Act”). SYNERGY NORTH holds Electricity Distribution Licence ED-2018-0233.
2. SYNERGY NORTH hereby applies to the Ontario Energy Board (the “Board”), pursuant to section 78 of the Act, for an Order or Orders approving or fixing just and reasonable rates for distribution service effective May 1, 2021. This Application is made in accordance with the Board's update to Chapter 3 of the *Filing Requirements for Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications*, issued on May 14, 2020, and using the October 13, 2016 *Handbook for Utility Rate Applications (the Handbook) IR methodology*, including the following for each of SYNERGY NORTH'S Rate Zones:
 - a. An adjustment to the retail transmission service rates as provided in the Board's *Guidelines G-2008-0001: Electricity Distribution Retail Transmission Service Rates (RTSR), Revision 4.0*, issued June 28, 2012;
 - b. An adjustment to the price cap index, and annual IR as determined by the Board;
 - c. An adjustment to the Thunder Bay Rate Zone's current 2020 distribution rates by applying the OEB's adjustment mechanism of the Price Cap Index to establish 2021 electricity distribution rates, effective May 1, 2021.
 - d. An adjustment to the Kenora Rate Zone's current 2020 distribution rates by applying the OEB's Annual IR Index adjustment mechanism to establish 2021 electricity distribution rates, effective May 1, 2021.
 - e. Election to dispose of the Group 1 account balances, per *Section 3.2.5 of Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications*, issued on July 12, 2018.

- f. Continuation of existing Specific Service Charges and Loss Factors as approved in Thunder Bay Hydro's 2017 Cost of Service rate application (EB-2016-0105), and Kenora Hydro's 2011 Cost of Service rate application (EB-2010-0135).
3. In the event that the Board is unable to provide a Decision and Order in this Application for implementation by the Applicant as of May 1, 2021, SYNGERY NORTH requests that the Board issue an Interim Rate Order declaring the current Distribution Rates and Specific Service Charges as interim until the decided implementation date of the approved 2021 distribution rates.
4. In the event that the effective date does not coincide with the Board's decided implementation date for 2021 distribution rates and charges, SYNERGY NORTH requests permission to recover the incremental revenue from the effective date to the implementation date.
5. SYNGERY NORTH has used the Board's Excel Model: 2021 IRM Rate Generator ("2021 Rate Model") version 1.0 posted October 19, 2020 for this application. The rates for which approval is sought are shown on Tab 19 'Final Tariff Schedule' of the 2021 Rate Model for each Rate Zone.
6. This Application is supported by the written evidence comprising of a Manager's Summary, excel model, and appendices. SYNERGY NORTH may amend or supplement this written evidence prior to or during the course of the Board's hearing of this Application.

3.1 Manager's Summary

3.1 Introduction

SYNGERY NORTH is a corporation amalgamated under the laws of Ontario, with its head office in the City of Thunder Bay. SYNGERY NORTH carries on the business of distributing electricity within the City of Thunder Bay, Fort William First Nation Reserve, and the City of Kenora. SYNERGY NORTH CORPORATION is the name of the amalgamated corporation combining Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd. effective January 1, 2019. The amalgamation was approved by the Ontario Energy Board as documented in the MAAD Application (EB-2018-0124). The applicant has not yet rebased as an amalgamated company and maintains two sets of tariffs of rates and charges. For the proposed application the applicant will refer to them as the "Thunder Bay Rate Zone" and "Kenora Rate Zone".

SYNERGY NORTH submits herein a complete application (the "Application") for proposed distribution and transmission rates effective May 1, 2021 for both Thunder Bay and Kenora Rate Zones. SYNERGY NORTH has

chosen to file its 2021 Distribution Rate Application under the Price Cap Incentive Rate adjustment option for Thunder Bay Rate Zone and the Annual IR Index adjustment option for Kenora Rate Zone.

This application has been prepared in accordance with the Board's updated *Chapter 3* of the *Filing Requirements for Electricity Distribution Rate Applications, – 2020 edition for 2021 Rate Applications*, issued May 14, 2020 ("2021 Filing Requirements").

SYNERGY NORTH requests that this Application be disposed of by way of a written hearing.

3.1.1 Grouping for Filings

The OEB has assigned distributors seeking IRM rate adjustments effective May 1, 2021 to one of four application groupings noted below based on the expected level of complexity of the application. SYNERGY NORTH was assigned the filing date of November 23, 2020 in Tranche 4, as per the OEB direction to all distributors in the letter dated July 14, 2020 "Process for 2021 Incentive Regulation Mechanism (IRM) Distribution Rate Applications".

3.1.2 Components of the Application Filing

SYNERGY NORTH has included in this application EB-2020-0055 the following for both the Thunder Bay and Kenora Rate Zones:

1. Managers Summary;
2. Contact Information;
3. Completed Rate Generation Model & Supplemental Global Adjustment for each rate zone;
4. Copy of the current 2020 tariff sheet for each Rate Zone in the rate generator;
5. Supporting documentation, validated reporting record keeping requirements, and other data referred to in the application for each Rate Zone;
6. A statement of who will be affected by the application and particular bill impacts for both Rate Zones;
7. Confirmation of the Applicants internet address;
8. Statement of confirmation related to accuracy of the billing determinants for each Rate Zone; and
9. Text searchable Adobe PDF format for all documents.
10. The 2021 IRM Checklist.

3.1.2.1 Contact Information

The following is the contact information for SYNERGY NORTH in this proceeding:

Applicant's Address for Service: 34 Cumberland St. N.
Thunder Bay, Ontario
P7A 4L4

Primary Contact for Electricity Distribution Licence:

| | | |
|-------------------------|--------|--|
| Cindy Speziale, CPA, CA | Phone: | 807-343-1118 |
| Vice President, Finance | Fax: | 807-343-1009 |
| | Email: | cspeziale@synergynorth.ca |

Primary Contacts for the Application:

| | | |
|---------------------------------|--------|--|
| Brittany Ashby, BMGMT | Phone: | 807-343-1054 |
| Supervisor, Business & | Fax: | 807-343-1009 |
| Regulatory Affairs, Thunder Bay | Email: | bashby@synergynorth.ca |
| Janice Robertson, CPA, CA | Phone: | 807-467-2014 |
| Manager, Financial & | Fax: | 807-343-1009 |
| Regulatory Affairs, Kenora | Email: | jrobertson@synergynorth.ca |

3.1.2.2 / 3.1.2.3 List of Attachments

The following is a list of electronic files which have been uploaded along with this application;

Appendix A - "Board Staff Appendix A – GA Methodology Description";
Appendix B - Thunder Bay Rate Zone Rate Generator Model;
Appendix C - Thunder Bay Rate Zone Current 2020 Schedule of Tariff and Rates;
Appendix D - Thunder Bay Rate Zone Proposed 2021 Schedule of Tariff and Rates;
Appendix E - Thunder Bay Rate Zone Bill Impacts;
Appendix F - Thunder Bay Rate Zone Global Adjustment Analysis Workform;
Appendix G - Thunder Bay Rate Zone 1595 Analysis Workform;
Appendix H - Kenora Rate Zone Rate Generator Model;
Appendix I - Kenora Rate Zone Current 2020 Schedule of Tariff and Rates;
Appendix J - Kenora Rate Zone Proposed 2021 Schedule of Tariff and Rates;
Appendix K - Kenora Rate Zone Bill Impacts;
Appendix L - Kenora Rate Zone Global Adjustment Analysis Workform;
Appendix M - Kenora Rate Zone 1595 Analysis Workform; AND
Appendix N - SYNERGY NORTH Covid-19Forgone Revenue Rate Rider.

3.1.2.4 Supporting Documentation

SYNERGY NORTH confirms that it has provided supporting documentation where appropriate as support to the models mentioned in the 3.1.2.3 List of Attachments for both Rate Zones. SYNERGY NORTH has also confirmed it has validated any references to the 2019 year-end RRR reporting record keeping requirements and other data referred to in the application for both Rate Zones.

3.1.2.5 Notice of Application

SYNERGY NORTH recognizes that all of its customer classes will be affected by the outcome of this rate application.

3.1.2.6 Confirmation of Application

Due to COVID-19, SYNERGY NORTH will provide its customers a link to the website where the application (EB-2020-0055) will be posted. If a customer requires a physical copy to accommodate special needs or by specific request SYNERGY NORTH will gladly provide one at its customer service desk, as well as publish any updates directly to its public website for purposes of viewing the application, previous applications and related documents.

SYNERGY NORTH Public Website Address: <https://synergynorth.ca/>

3.1.2.7 Certification of Evidence

SYNERGY NORTH Vice President of Finance certifies that the evidence filed in its 2021 IRM Rate Applications are accurate to the best of her knowledge and belief for both Thunder Bay and Kenora Rate Zones.

3.1.3 Applications and Electronic Models

SYNERGY NORTH has used the Board's 2021 IRM Rate Generator (1.0) issued by the Board on October 19, 2020, the Account 1595 Analysis Workform (V1.0) issued by the Board on June 17, 2020 and the Board's Global Adjustment (GA) Analysis Workform (V2.0) issued by the Board on August 11, 2020. SYNERGY NORTH has completed the 2021 Rate Models in accordance with the Board staff instructions. SYNERGY NORTH does not have any unique rate classes for either Rate Zones.

The model was expected to be pre-populated with distributor-specific data for SYNERGY NORTH Thunder Bay and Kenora Rate Zone specific filings, including the most recent 2020 tariff of rates and charges, load and customer data and 2019-year end RRR balances for Group 1 DVA balances. SYNERGY NORTH staff and OEB staff have worked to correct the models which were not populated with the correct data in either rate zone.

SYNERGY NORTH confirms that both tariff of rates and charges are accurate now, as included in Tab 2. 'Current Tariff Schedule' of the rate generator models. SYNERGY NORTH confirms the accuracy of the pre-populated billing determinates, customer counts for Residential and GS<50 Classes and customer volume, as included in Tab 4. 'Billing Det. For Def Var' of the models for both Rate Zones. Additionally, SYNERGY NORTH has completed Tab 3. 'Continuity Schedule' and confirms the entries in column "BV", representing Group 1 Deferral and Variance Account balances as of December 31, 2019 are accurate for both Thunder Bay and Kenora Rate Zone.

SYNERGY NORTH confirms that it has not diverged from the Board's model concept or modified the 2021 Rate Models to be different. Board staff made modifications to the 2021 Rate Model to correct several issues that SYNERGY NORTH experienced while populating both rate district information, and incorrect formulas. SYNERGY NORTH confirms that the model is now correctly calculating across the 20 tabs for each district with only remaining issues listed below.

Note, that the following issues have been identified within the 2021 Rate Generator Model and will require additional Board staff modification:

1. Tab 3. 'Continuity Schedule' – cell BW40 for the Thunder Bay Rate Zone is populating a figure of \$ 87,092 as out of balance for the Total Group 1 Balance. This is the total for the CBR Class B Sub Account and is suspected to be an error in Board Staff formula. This should be revised because all the reporting for 2.1.7 RRR as of December 31, 2019 is in balance to the continuity schedule.
2. Tab 3. 'Continuity Schedule' – cell BW40 for the Kenora Rate Zone is populating a figure of \$ 16,156 as out of balance for the Total Group 1 Balance. This is the total for the CBR Class B Sub Account and is suspected to be an error in Board Staff formula. This should be revised as all the reporting for 2.1.7 RRR as of December 31, 2019 balanced in continuity schedule.
3. Tab 19. 'Final Tariff Schedule' - cell B4 is populating the incorrect date for the proposed tariff sheet in both rate zone's Rate Generator Models. This should read "Effective May 1, 2021".
4. Kenora Rate Generator model Tab 6.1. 'GA' is populating the incorrect rate for Unmetered Scattered Load Service Classification. This should calculate the same rate as the other rate classes of \$0.0012/kWh. This error is carried through the model into bill impacts.

3.2 ELEMENTS OF THE PRICE CAP IR AND THE ANNUAL IR INDEX PLAN

3.2.1 Annual Adjustment Mechanism

The annual adjustment mechanisms follow OEB-approved formulas that include components for inflation and the OEB's expectations of efficiency and productivity gains.

Thunder Bay Rate Zone:

Thunder Bay Rate Zone is on Price Cap IR. In calculating 2021 rates for Thunder Bay Rate Zone, SYNERGY NORTH has applied a Price Cap Index Adjustment of 1.70% to its 2020 Thunder Bay Rate Zone Distribution Rates, which are the rate-setting parameters provided by the Board's 2021 Rate Generator Model (Stretch Factor Group III). SYNERGY NORTH acknowledges that distributors are to use the 2020 rate setting parameters as a placeholder until the stretch factor assignment and inflation factor for 2021 are issued by the OEB. Board staff will update the 2021 Rate Generator Model with the final 2021 price cap parameters which will be established by the Board in the supplemental report on the Renewed Regulatory Framework for Electricity (RRFE).

Kenora Rate Zone:

Kenora Rate Zone is on Annual IR Index. In calculating 2021 rates for Kenora Rate Zone, SYNERGY NORTH has applied the Annual IR Index Adjustment of 1.40% to its 2020 Kenora Rate Zone Distribution Rates, which is the highest 4th generation stretch factor rate-setting parameters provided by the Board's 2021 Rate Generator Model (Stretch Factor Group V). SYNERGY NORTH acknowledges that distributors are to use the 2020 rate setting parameters as a placeholder until the stretch factor assignment and inflation factor for 2021 are issued by the OEB. Board staff will update the 2021 Rate Generator Model with the final 2021 price cap parameters which will be established by the Board in the supplemental report on the Renewed Regulatory Framework for Electricity (RRFE).

3.2.1.1 Application of the Annual Adjustment Mechanism

Thunder Bay Rate Zone:

SYNERGY NORTH Thunder Bay Rate Zone has achieved Stretch Factor Group assignment ranking of 3 or 0.30% in the "PEG Empirical Research in Support of Incentive Rate-Setting: 2019 Benchmarking Update Report to the Ontario Energy Board" issued August 2020. Based on this ranking SYNERGY NORTH Thunder Bay Rate Zone will apply the Price Cap Index of 1.70% to its current fixed distribution charge, as well as its distribution volumetric charge.

Price Cap Index is determined using the following formula:

| Price Cap Index | |
|-----------------------------|----------------------------|
| Price Escalator (GDP - IPI) | 2.00% |
| Less: Productivity | 0.00% |
| Less: Stretch Factor | 0.30% (TB is in Group III) |
| Price Cap Index | 1.70% |

SYNERGY NORTH confirms the Price Cap Index adjustment of 1.70% has been applied to distribution rates (fixed and variable) uniformly across all customer rate classes for Thunder Bay Rate Zone and that the index adjustment has not been applied to the following components of distribution rate components**

- Rate Adders;
- Rate Riders;
- Retail Transmission Rates;
- Wholesale Market Service Rates;
- Rural and Remote Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Capacity Based Recovery;
- Microfit Service Charge;
- Specific Service Charges;
- Transformation and Primary Metering Allowances;
- Smart Meter Entity Charge

** The exception to the rate listing above is as per Tab 17. 'Regulatory Charges' of the rate generator model; wireline pole attachment and retail service charges which are subject to inflationary rates of 2.00% pending OEB approved inflation rate effective in 2021.

Kenora Rate Zone:

SYNERGY NORTH Kenora Rate Zone is on an Annual IR Index, and, although achieved Stretch Factor Group assignment ranking of 3 as SYNERGY NORTH, Kenora Rate Zone is required to use the lowest stretch factor of 0.60% in the "PEG Empirical Research in Support of Incentive Rate-Setting: 2019 Benchmarking Update Report to the Ontario Energy Board" issued August 2020. Based on Annual IR Index SYNERGY NORTH Kenora Rate Zone will apply the Price Cap Index of 1.40% to its current fixed distribution charge, as well as its distribution volumetric charge.

Price Cap Index is determined using the following formula:

| Price Cap Index | |
|-----------------------------|--------------------------|
| Price Escalator (GDP - IPI) | 2.00% |
| Less: Productivity | 0.00% |
| Less: Stretch Factor | 0.60% (KN is in Group V) |
| Price Cap Index | 1.40% |

SYNERGY NORTH confirms the Price Cap Index adjustment of 1.40% has been applied to distribution rates (fixed and variable) uniformly across all customer rate classes for Kenora Rate Zone and that the index adjustment has not been applied to the following components of distribution rate components:**

- Rate Adders;
- Rate Riders;
- Retail Transmission Rates;
- Wholesale Market Service Rates;
- Rural and Remote Rate Protection Charge;
- Standard Supply Service – Administrative Charge;
- Capacity Based Recovery;
- Microfit Service Charge;
- Specific Service Charges;
- Transformation and Primary Metering Allowances;
- Smart Meter Entity Charge

** The exception to the rate listing above is as per Tab 17. 'Regulatory Charges' of the rate generator model; the wireline pole attachment, and retail service charges which are subject to inflationary rates of 2.00% pending OEB approved inflation rate effective in 2021.

3.2.2 Revenue to Cost Ratio Adjustments

SYNERGY NORTH Revenue to Cost ratio adjustments were approved in its 2017 Cost of Service Rate Application (EB-2016-0105) for Thunder Bay Rate Zone, and 2011 Cost of Service Rate Application (EB-2010-0135) for Kenora Rate Zone. As per Thunder Bay Rate Zone's Settlement Proposal & Agreement issued April 27, 2017 (EB-2016-0105, page 17), Thunder Bay Rate Zone was in complete settlement with all parties for its proposed cost allocation methodology and revenue to cost ratios. Thunder Bay Rate Zone does not require any further revenue-to-cost ratio adjustments to be required during the 2017 to 2021 rate years.

As per Kenora Rate Zone's Decision and Order issued May 25, 2011 (EB-2010-0135, page 30), Kenora Rate Zone settled with all parties for its proposed cost allocation methodology and revenue to cost ratios. The Board found the proposed revenue to cost ratios acceptable and consistent to cost ratio policy. The Kenora Rate Zone completed this transition in its 2013 IRM (EB-2012-0141), decreasing the revenue to cost ratio for the Unmetered Scattered Load class from 129% to 120%. The Board agreed that this was consistent with the decision arising from the 2011 Cost of Service proceeding and approve the revenue to costs ratios as filed.

SYNERGY NORTH is not seeking any revenue to cost ratio adjustments in this application for either Rate Zone.

3.2.3 Rate Design for Residential Electricity Customers

On April 2, 2015, the OEB released its Board Policy: A New Distribution Rate Design for Residential Electricity Customers (EB-2014-0210) which stated that electricity distributors are expected to transition to a fully fixed monthly distribution service charge for residential customers and in most cases should be to be implemented over a period of four years, beginning in 2016. SYNERGY NORTH confirms that the fully fixed rate design for new charges are applicable only to the residential rate class and to the charges which are specifically related to distribution of electricity. SYNERGY NORTH also confirms that this residential rate design transition has been fully transitioned for both Thunder Bay and Kenora Rate Zones in 2019 IRMs (EB-2018-0069 and EB-2018-0046).

3.2.3.1 Residential Rate Design – Exception and Mitigation

SYNERGY NORTH does not require any exceptions or mitigation to its residential rate design as they have been fully transitioned to fixed rates in both Thunder Bay and Kenora Rate Zones.

3.2.3.2 Impact at the 10th Percentile of Consumption

In accordance with section 3.2.3 of the *2017 Filing Requirements*, SYNERGY NORTH is not proposing a rate mitigation plan as the rate transition is completed and the assessment of impact at the 10th percentile of consumption is no longer required.

3.2.4 Electricity Distribution Retail Transmission Service Rates

SYNERGY NORTH has prepared the RTSR using the OEB's 'Guideline G-2008-0001: Electricity Distribution Retail Transmission Service Rates (RTSR), Revision 4.0 issued June 28, 2012.' To prepare the analysis SYNERGY NORTH has used the 2021 Rate Generator Model, Tabs 10 to 15 to calculate the proposed updates to its RTSRs for

each Rate Zone. SYNERGY NORTH has used the most recent wholesale transmission rates (per the Board's Decision in EB-2019 -0164, issued July 25th, 2019) in its applications for RTSRs in each Rate Zone.

SYNERGY NORTH understands that once 2021 UTR rates are determined; Board staff will adjust the 2021 Rate Generator Model to reflect any changes in Hydro One's Sub-Transmission class RTSRs.

SYNERGY NORTH has confirmed that the cells in Tab 10. 'RTSR Current Rates' in each Rate Zone have been populated with the data from the most recent 2019-year end RRR filing. In addition to the figures reported to the OEB SYNERGY NORTH has adjusted the Non-Loss Adjusted Metered kWh, and Non-Loss Adjusted Metered kW in Thunder Bay Rate Zone model to appropriately split the "General Service 50 to 999 kW Service" Classification between metered and interval metered. SYNERGY NORTH confirms it has used its customer data to determine the split between specific meter data, and the net of the two results in the rate classification total reported in the 2019 RRR year-end filing.

A summary of the proposed adjustment to the Current Retail Transmission Service Rates are shown in Tables 1 and 2 below:

Table 1: Thunder Bay Rate Zone RTSR Proposed Adjustment

| Thunder Bay Rate Zone | | | RTSR Network | | | RTSR Connection | | |
|-----------------------|--|-------|--------------|----------|----------|-----------------|----------|--------|
| | | | Current | Proposed | Change | Current | Proposed | Change |
| No. | Rate Class | Units | \$ | \$ | \$ | \$ | \$ | \$ |
| 1 | Residential | kWh | 0.0064 | 0.0064 | (0.0000) | 0.0051 | 0.0052 | 0.0001 |
| 2 | General Service < 50kW | kWh | 0.0061 | 0.0061 | (0.0000) | 0.0047 | 0.0048 | 0.0001 |
| 3 | General Service > 50 - 999 kW | kW | 2.3985 | 2.3901 | (0.0084) | 1.7993 | 1.8235 | 0.0242 |
| 4 | General Service > 50 - 999 kW Interval | kW | 2.5443 | 2.5354 | (0.0089) | 1.9889 | 2.0156 | 0.0267 |
| 5 | General Service 1,000 kW or Greater | kW | 2.5443 | 2.5354 | (0.0089) | 1.9889 | 2.0156 | 0.0267 |
| 6 | Unmetered Scattered Load | kWh | 0.0061 | 0.0061 | (0.0000) | 0.0047 | 0.0048 | 0.0001 |
| 7 | Sentinel Lights | kW | 1.8182 | 1.8119 | (0.0063) | 1.4203 | 1.4394 | 0.0191 |
| 8 | Street Lighting | kW | 1.8087 | 1.8024 | (0.0063) | 1.3911 | 1.4098 | 0.0187 |

Table 2: Kenora Rate Zone RTSR Proposed Adjustment

| Kenora Rate Zone | | | RTSR Network | | | RTSR Connection | | |
|------------------|---------------------------------|-------|--------------|----------|----------|-----------------|----------|----------|
| | | | Current | Proposed | Change | Current | Proposed | Change |
| No. | Rate Class | Units | \$ | \$ | \$ | \$ | \$ | \$ |
| 1 | Residential | kWh | 0.0073 | 0.0071 | (0.0002) | 0.0021 | 0.0020 | (0.0001) |
| 2 | General Service < 50kW | kWh | 0.0063 | 0.0061 | (0.0002) | 0.0018 | 0.0018 | (0.0000) |
| 3 | General Service > 50 - 4,999 kW | kW | 2.6507 | 2.5732 | (0.0775) | 0.6711 | 0.6550 | (0.0161) |
| 4 | Unmetered Scattered Load | kWh | 0.0063 | 0.0061 | (0.0002) | 0.0018 | 0.0018 | (0.0000) |
| 5 | Street Lighting | kW | 1.9988 | 1.9404 | (0.0584) | 0.5188 | 0.5063 | (0.0125) |

3.2.5 Review and Disposition of Group 1 Deferral and Variance Account Balances

SYNERGY NORTH is applying to dispose of the balances in its Group 1 Deferral and Variance Accounts, as of December 31, 2019 for both Thunder Bay and Kenora Rate Zones. Projected interest from January 1, 2020 to April 30, 2021 is calculated using the Board's prescribed interest rates. Quarter 1 and 2 of 2020 is calculated using 2.18%, and then for the remainder of 2020 and January 1st, 2021 to April 30th, 2021, interest is calculated at the Board's most recent prescribed interest rate of 0.57%.

Tab 3. 'Continuity Schedule' of the completed 2021 Rate Generator Model, as of December 31, 2019, agree with those filed with the year end 2019 balances reported on the 2.1.7 RRR filed April 30, 2020. There is an expected difference for both Thunder Bay and Kenora Rate Zones in the Wholesale Market Service Charge which is equal to the "WMS – Sub Account CBR Class B" and the "WMS – Sub Account CBR Class A".

SYNERGY NORTH confirms that no additional adjustments have been made to any deferral and variance account balances for either Rate Zone which were previously approved by the Board on a final basis.

Thunder Bay Rate Zone:

The total Group 1 amount to be disposed of for the Thunder Bay Rate Zone is \$405,353. The RSVA Global Adjustment balance in account 1589 is \$545,433 to be charged in a rate rider from Non-RPP customers (excluding Class A customers). The RSVA WMS – Sub Account CBR – Class B in account 1580 is (\$65,519) to be returned in a rate rider to Class B customers (excluding Class A customers). The remaining Group 1 balances total (\$74,561) and will be a charge to all of SYNERGY NORTH Thunder Bay Rate Zone customers. Table 3 itemizes the accounts, customers and amounts for disposition.

Table 3: Thunder Bay Rate Zone Disposition Eligibility

| Thunder Bay Rate Zone | | | |
|------------------------------|--|---------------------------|--------------------|
| No. | Account Descriptions | Eligibility | Total Claim |
| 1 | 1589 Global Adjustment | Non RPP Class B Customers | 545,433 |
| 2 | 1580 WMS - Sub Account CBR - Class B Only | Class B Customers | (65,519) |
| 3 | 1551, 1580, 1584, 1586, 1588 Remainder of Group One Account Disposition | All Customers | (74,561) |
| Total Disposition Amount | | | 405,353 |

The threshold test is completed by dividing the total claim by the total system kWh yields a result of \$0.00046 / kWh which does not exceed the threshold for disposition of \$.001 per kWh (debit or credit).

| No. | Thunder Bay Rate Zone | Threshold Test |
|-----|--|----------------|
| 1 | Total Group One Disposition Claim | \$ 405,353 |
| 2 | Total Distributor Metered kWh (Non-Loss Adjusted) -Class B / Class A / RPP / Non RPP | 881,957,205 |
| 3 | Total Claim per kWh | \$ 0.00046 |

Although the results of the threshold test does not require SYNERGY NORTH Thunder Bay Rate Zone to dispose of the balances as of Dec 31 2019, a one-year disposition period is requested for the Group 1 Deferral and Variance Accounts, with rate riders effective May 1, 2021 until April 30, 2022. Annual disposition of Group 1 Accounts results in less risk for intergenerational gaps in disposition amounts to/from customers.

Table 4 below is SYNERGY NORTH proposed disposition summary organized by Principal and Interest for Thunder Bay's Rate Zone:

Table 4: Group One Disposition Claim Thunder Bay Rate Zone

Thunder Bay Rate Zone

| No. | Group One Account | Account # | Principal | Interest | Total |
|-----|---|-----------|-----------|----------|-----------|
| 1 | Smart Metering Entity Charge Variance Account | 1551 | (4,480) | (41) | (4,521) |
| 2 | RSVA - Wholesale Market Service Charge | 1580 | (245,043) | (8,785) | (253,828) |
| 3 | Variance WMS – Sub-account CBR Class B | 1580 | (63,752) | (1,767) | (65,519) |
| 4 | RSVA - Retail Transmission Network Charge | 1584 | 160,551 | 1,800 | 162,351 |
| 5 | RSVA - Retail Transmission Connection Charge | 1586 | 15,298 | (1,024) | 14,274 |
| 6 | RSVA - Power | 1588 | (115,779) | (15,705) | (131,484) |
| 7 | RSVA - Global Adjustment | 1589 | 515,310 | 30,122 | 545,432 |
| 8 | Disposition and Recovery/Refund of Regulatory Balances (2017) | 1595-2017 | 175,995 | (37,347) | 138,648 |
| 9 | Total Disposition | | 438,100 | (32,747) | 405,353 |

Kenora Rate Zone:

The total Group 1 amount to be disposed of for the Kenora Rate Zone is (\$28,853). The RSVA Global Adjustment balance in account 1589 is \$ 46,879 to be charged in a rate rider from Non-RPP customers (excluding Class A customers). The RSVA WMS – Sub Account CBR – Class B in account 1580 is (\$8,185) to be returned in a rate rider from Class B customers (excluding Class A customers). The remaining Group 1 balances total (\$ 67,546) also indicates a charge to all of SYNERGY NORTH Kenora Rate Zone customers. Table 5 itemizes the accounts, customers and amounts for disposition.

Table 5: Kenora Rate Zone Disposition Eligibility

| Kenora Rate Zone | | | |
|-------------------------|---|---------------------------------|--------------------|
| No. | Account Descriptions | Eligibility | Total Claim |
| 1 | 1589 Global Adjustment | Non RPP Class B Customers | 46,879 |
| 2 | 1580 WMS - Sub Account CBR - Class B Only | Class B Customers | (8,185) |
| 3 | 1551, 1580, 1584, 1586, 1588, 1595 Remainder of Group One Account Disposition | All Customers | (67,547) |
| | | Total Disposition Amount | (28,853) |

The threshold test, completed by dividing the total claim by the total system kWh, yields a result of (\$0.0003) / kWh which does not exceed the threshold for disposition of \$.001 per kWh (debit or credit). Although the results of the threshold test does not require SYNERGY NORTH Thunder Bay Rate Zone to dispose of the balances as of Dec 31 2019, a one-year disposition period is requested for the Group 1 Deferral and Variance Accounts, with rate riders effective May 1, 2021 until April 30, 2022. Annual disposition of Group 1 Accounts results in less risk for intergenerational gaps in disposition amounts to/from customers.

| No. | Kenora Rate Zone | Threshold Test |
|------------|--|-----------------------|
| 1 | Total Group One Disposition Claim | (28,853) |
| 2 | Total Distributor Metered kWh (Non Loss Adjusted) -Class B / Class A / RPP / Non RPP | 98,359,118 |
| 3 | Total Claim per kWh | (0.0003) |

SYNERGY NORTH is proposing a one-year disposition period for the Group 1 Deferral and Variance Accounts, with rate riders effective May 1, 2021 until April 30, 2022 for the Kenora Rate Zone.

Table 6 below is SYNERGY NORTH proposed disposition summary organized by principal and interest for Kenora's Rate Zone:

Table 6: Group One Disposition Claim Kenora Rate Zone

| Kenora Rate Zone | | | | | |
|-------------------------|---|------------------|------------------|-----------------|-----------------|
| No. | Group One Account | Account # | Principal | Interest | Total |
| 1 | Smart Metering Entity Charge Variance Account | 1551 | (899) | 4 | (895) |
| 2 | RSVA - Wholesale Market Service Charge | 1580 | (21,881) | 650 | (21,231) |
| 3 | Variance WMS – Sub-account CBR Class B | 1580 | (7,843) | (342) | (8,185) |
| 4 | RSVA - Retail Transmission Network Charge | 1584 | 31,657 | 932 | 32,589 |
| 5 | RSVA - Retail Transmission Connection Charge | 1586 | 4,115 | (688) | 3,427 |
| 6 | RSVA - Power | 1588 | (80,020) | (1,004) | (81,024) |
| 7 | RSVA - Global Adjustment | 1589 | 47,735 | (856) | 46,879 |
| 8 | Disposition and Recovery/Refund of Regulatory Balances (2017) (Tax Sharing) | 1595 | (413) | 0 | (413) |
| 9 | Total Disposition | | (27,549) | (1,304) | (28,853) |

In Tab 3. 'Continuity Schedule' cell BW29 results in a variance of \$238,480 in Account 1589. This is a result of the adjustment included in cell BF29 which corrects for a billing adjustment performed in 2020 related to the 2019 year. This has been captured and detailed in the GA Analysis Workform for Kenora rate zone.

3.2.5.1 Wholesale Market Participants

SYNERGY NORTH does not participate or embed any participants directly in any of the IESO-administrated markets in either of its Rate Zones.

3.2.5.2 Global Adjustment

The majority of SYNERGY NORTH customers are Class B customers for both Thunder Bay and Kenora Rate Zones. There were 10 Class A customers from January to December in Thunder Bay Rate Zone during the 2019 year. There were no Class A customers in the Kenora Rate Zone during 2019. 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 separately on their bills.

For Class B customers, RSVA 1589 GA captures the difference between the amounts billed (or estimated to be billed) to Non-RPP customers and the actual amount paid by the distributor to the IESO for those customers. This is the variance between the final rate for the GA and what is billed to the customers using the first estimate price as is loaded into the billing system. For Non-RPP customers, this variance is recorded in the USoA account 1589 RSVA GA. For RPP customers, this variance is built into the RPP rate for the following RPP term.

Customers that participate in the Industrial Conservation Initiative (“ICI”) are referred to as Class A customers and pay GA based on their percentage contribution to the top five peak Ontario demand hours (i.e. peak demand factor) over a year-long period. SYNERGY NORTH Thunder Bay Rate Zone settles GA costs with Class A customers on the basis of actual cost, so Class A customers have not contributed to the balance in 1589 RSVA GA for the period they were Class A customers.

Only Non-RPP, Non-Class A customers have contributed to the balance in the RSVA 1589 GA variance account. The balance in this account has been allocated based on Non-RPP, Non-Class A consumption in 2019.

3.2.5.3 Class A Global Adjustment

The Board has included a requirement for 2021 Applications in its *2021 Filing Requirements* for distributors to provide information regarding its Class A customers. This only applies to Thunder Bay Rate Zone.

SYNERGY NORTH Thunder Bay Rate Zone has indicated in the IRM Rate Generator Tab 1. ‘Information Sheet’ that it had Class A customers during the period that the Account 1589 GA balances was accumulated (i.e. from the year the balance was last disposed). This is also true for the Account 1580 WMS CBR Balance.

Section 3.2.5.2 of the *2021 Filing Guidelines* requires that distributors propose an approximate allocation for the recovery of the GA variance. Selecting this Class A option to account for Class A customers in Tab 1. ‘Information Sheet’ Schedule results in Tab 6. ‘Class A Consumption Data’ requirement to input the Billing Determinants by

Customer Rate Classification for Class A kWh and kW. These Class A reported kWh and kW volumes are then stripped from the disposition of 1589 Global Adjustment Disposition, and 1580 WMS – CBR Class B Disposition by rate class, to appropriately allocate the balance of 1589 to Class B customers who contributed to the variance account in Tab 6.1 'GA'.

From July 2019 to June 2020, Thunder Bay Rate Zone had 10 Class A customers with a peak demand factor of 0.00074594. On July 1, 2020, Thunder Bay Rate Zone did not have any customers “opt out” or “opt into” the Class A program. Therefore Class A customer counts remained at 10 customers with a new peak demand factor of 0.00067618. There were no transition customers to account for partial allocations of the 1589 Global Adjustment Disposition, and 1580 WMS – CBR Class B Disposition.

As mentioned previously, Thunder Bay Rate Zone settles GA with Class A customers on a monthly basis and on the basis of actual cost. As a result, the customers in the Class A program did not contribute to the balance in RSVA 1589 GA for the period they were Class A customers. Therefore, the entire Class A consumption of 127,674,309 kWh (full year Class A) is stripped from the Total Metered Non-RPP 2019 consumption used to develop a GA Rate Rider in Tab 6.1 'GA'.

Table 7: Class A Consumption Details

| Line No. | Class A - Non Loss Adjusted Billing Determinants | Determinants | January - June | July - December | Class A Total |
|----------|--|--------------|----------------|-----------------|---------------|
| 1 | 10 Customers | kWh | 63,128,766 | 64,545,544 | 127,674,309 |
| 2 | | kW | 163,085 | 177,351 | 340,436 |
| 3 | Peak Demand Factor | | 0.00074594 | 0.00067618 | |

The RSVA 1589 GA balance has been allocated to the remaining Non-RPP customers based on the total Non-RPP consumption per class, excluding Class A customers. A separate rate rider is used to dispose of the balance RSVA 1589 GA to other class B customers. See Table 8 below for the GA allocation split of Global Adjustment kWh.

Table 8: Transition GA Disposition Eligibility Split

| Line No. | Eligibility | Consumption (kWh) | % of Non-RPP | GA Dollars Claim |
|----------|--|-------------------|--------------|------------------|
| 1 | Non RPP Consumption | 406,057,472 | 100.00% | \$ - |
| 2 | Class A Consumption for Partial Year Class A | - | | |
| 3 | Consumption for Full Year Class A | 127,674,309 | 31.44% | \$ - |
| 4 | Total Class B Consumption | 278,383,163 | 68.56% | \$ 545,433 |
| 5 | Class B Transition Customers | - | 0.00% | |

All GA rate riders have been calculated on an energy basis (kWh) as per 2021 Filing Requirements section 3.2.5.2 and can be found on Tab 6.1 'GA' in the 2021 Thunder Bay Rate Zone IRM Rate Generator Model.

Additionally, WMS CBR Class B balance has also been allocated between the remaining Class B customers based on the total Non-RPP consumption per class, excluding Class A customers using the same methodology as described above for Thunder Bay Rate Zone. This is described in more detail in section 3.2.5.4 in this application. The claim for WMS CBR Class B balance is below the threshold and it has been included in the WMS balance.

3.2.5.3.1 Global Adjustment Analysis Workform

As directed by the Board for the 2021 Rate Applications, distributors are required to complete the Global Adjustment (GA) Analysis Workform. This workform compares the general ledger principal balance to an expected principal balance based on monthly GA volumes, revenues and costs.

SYNERGY NORTH has completed the GA Analysis Workform for both Thunder Bay and Kenora Rate Zone. The GA Analysis helps the OEB assess if the balance being requested for disposition in Account 1589 is reasonable, and helps confirm the accuracy of both accounts 1588 and 1589. SYNERGY NORTH confirms that the Consumption Data from Note 2 reflects the RRR data which was filed April 30 2019, for 2019 volumes, non-loss adjusted.

SYNERGY NORTH confirms that it uses the first estimate of global adjustment to bill its customers for both of its Rate Zones. This treatment is applicable for all customer classes and is trued-up to the final rate posted by the IESO.

SYNERGY NORTH also confirms that the same GA rate is used to bill all customer classes and that GA Rate for Unbilled Revenue is the same as the one used for billed revenue in any particular month.

OEB has indicated that distributors who have a more precise monthly kWh volume data available based on allocation of billing data by calendar/load month may propose to use this data in the GA Analysis to calculate the expected GA balance. SYNERGY NORTH has chosen to populate the GA Analysis Workform with its Non-RPP Class B consumption with losses for both Rate Zones. A billing system query produces a report of the monthly "consumed" kWh for each Non-RPP customer. The system pulls the consumption billed between meter read dates, and based on consumption by day, provides a calendar month "consumed" amount. SYNERGY NORTH uses the results of this report to true up its estimates once all billing cycles for the quarter have fully billed out volumes for the period.

SYNERGY NORTH has provided principal reconciling items, most of which occur throughout the regular process of recording the balance for Global Adjustment, and do not require principal adjustments on DVA Continuity Schedules. SYNERGY NORTH notes one reconciling item in the Kenora Rate Zone GA Analysis Workform labelled as "Significant prior period billing adjustment recorded in the current year". During 2019 there was a billing adjustment coding error which should not have been included in the December 31st, 2019 1589 Global Adjustment balance.

SYNERGY NORTH discovered and corrected this billing adjustment error during 2020, confirming that this error only required an adjustment to the revenues. This adjustment did not impact reported consumption. Including the correction for this error, unresolved differences as a percent of expected GA payments to the IESO fall below the OEB's instructed 1% threshold, (0.2% variance for the Thunder Bay Rate Zone principal balance, and -1.0% variance to the Kenora Rate Zone principal balance).

3.2.5.3.2 Commodity Accounts 1588 and 1589

The Board has included a requirement in its 2021 Filing Requirements for distributors to review its letter dated February 21, 2019 providing accounting guidance related to the accounts 1588 Power and 1589 RSVA Global Adjustment. This accounting guidance was effective January 1, 2019 and was to be implemented by August 31, 2019. The OEB expects that all transactions recorded in these accounts during 2019 will have been accounted for in accordance with this guidance. SYNERGY NORTH confirms that as part of its application that it has fully implemented the OEB's 2019 guidance effective January 1, 2019 except for recording monthly settlement entries to the general ledger. Although SYNERGY NORTH performs the true ups on a monthly basis it still records its entries and settles on a quarterly basis. SYNERGY NORTH intends to update this process to monthly as requested by the OEB guidance. SYNERGY NORTH has considered this accounting guidance in the context of historical pre-2019 balances and does not require any adjustments to those pre-existing and audited balances which have been disposed of on a final basis prior to this year. SYNERGY NORTH has included Appendix A to provide the OEB with a description of the accounting methods that were used in the year it is requesting disposition for the balances which are in accordance with the OEB's February 21, 2019 accounting guidance.

- Global Adjustment Pricing

SYNERGY NORTH confirms that it uses the first estimate of global adjustment to bill its customers. This treatment is applicable for all customer classes in both Rate Zones.

- Process for providing consumption estimates to IESO

SYNERGY NORTH settles with the IESO for the estimated difference between spot and RPP pricing, for RPP customers within four business days of month end.

Conventional meters (Designated customers on Tier1\2 pricing): Total estimated consumption (kWh) is determined by multiplying the current number of active customers (excluding those with retailers) by same month of the previous year's average consumption for that group. This estimated consumption is then split between Tier 1 and Tier 2 pricing based on historical trending.

Time of use meters: Total estimated consumption (kWh) is determined by multiplying the current number of active customers (excluding those with retailers) by same month of the previous year's average consumption for that group. This estimated consumption is then split between on-peak, off-peak and mid-peak, based on historical trending.

Total RPP consumption is then calculated by adding the consumption of customers on conventional meters to the TOU customer consumption.

SYNERGY NORTH notes that its process for providing consumption (kWh) estimates to the IESO contains some inherent assumptions, in part due to data timing and data limitations. SYNERGY NORTH performs quarterly true-ups to provide timely adjustments for any variances from the initial estimates. The true up process uses the monthly Non-RPP Class B billed consumption with losses, as reported in the GA Analysis Workform.

- Describe the true up process to reconcile estimates of RPP and Non-RPP consumption, once actuals are known

Total kWh sold each month is determined by taking the actual kWh volume purchased from the IESO, plus any embedded generation volume, less any Class A volume. The result provides the total kWh to be split between RPP and Non-RPP customers. An IT system query is run which provides total monthly usage for Non-RPP customers. The difference between the total kWh purchased from the IESO, less the Non-RPP consumption from the IT query, is determined as being the RPP volume each month. The RPP kWh is multiplied by the actual GA rate to determine the total monthly GA charge attributable to RPP customers. This calculation is then compared to the GA on RPP customers that was originally estimated and paid to (or received from) the IESO each month. Any difference is settled with the IESO on a quarterly basis.

- The description should detail the treatment of embedded generation or any embedded distribution customers

Embedded generation is taken into consideration with determining the total power purchases for the month.

- Distributors are reminded that they are expected to use accrual accounting

SYNERGY NORTH confirms it uses accrual accounting in its GA settlement process.

3.2.5.3.3 Commodity Accounts 1588 and 1589

SYNERGY NORTH has reviewed the Board letter issued May 23, 2017 'OEB's Guidance on Disposition and has ensured that the controls, processes and systems for calculating RPP claims are tested to ensure its effectiveness. SYNERGY NORTH regularly reconciles the estimates of RPP and Non-RPP consumption to actuals on a quarterly

basis. SYNERGY NORTH confirms that it has been following the guidance, and truing up its settlement claims on a quarterly basis.

Any RPP settlement true-up claims made with the IESO in the period subsequent to the fiscal year end, are accrued in the current year.

SYNERGY NORTH ensures that it has appropriate financial controls, processes and systems in place related to the RPP settlement claims.

3.2.5.3.4 Global Adjustment Certification of Evidence

SYNERGY NORTH Vice President of Finance certifies that to the best of her knowledge and belief, that SYNERGY NORTH has robust processes and internal controls in place for the preparation, review, verification and oversight of the account balances being disposed, consistent with the certification requirements in Chapter 1 of the filing requirements.

3.2.5.4 Capacity Based Recovery

SYNERGY NORTH confirms that it follows the OEB Accounting Guidance on CBR issued by the Board on July 25 2016.

SYNERGY NORTH has Class A customers in its Thunder Bay Rate Zone only. Kenora Rate Zone does not have any customers who qualify for this rate classification.

SYNERGY NORTH Thunder Bay Rate Zone bills its Class A customers their share of the actual CBR Charge, equal to Charge Type 1350 on the monthly IESO invoice based on the respective percentage related to Peak Demand Factor. Class A Customers are billed by the IESO for CBR Costs recorded under charge type 1350 for CBR for Class A consumption are recorded in account 4708 charges – WMS Sub Account CBR Class A.

SYNERGY NORTH Thunder Bay Rate Zone records WMS revenues for CBR on all consumption effective January 1, 2019 and onwards for Class B customers, excluding Wholesale Market Participants. Costs recorded under charge type 1351 for CBR Class B consumption is recorded in Accounts 4708 Charges – WMS, Sub Accounts CBR Class B. SYNERGY NORTH tracks the variance between the revenue billed to customers for Class B CBR and the costs recorded under Charge Type 1351 for CBR in Account 1580 WMS Sub Account CBR Class B. Carrying charges are applied monthly opening balances at the Board prescribed rate.

SYNERGY NORTH has indicated in the 2021 IRM Rate Generator Tab 3. 'Continuity Schedule' that it has Class A customers during the period that the Account 1580 WMS CBR balances was accumulated (i.e. from the year the balance was last disposed).

Section 3.2.5.2 of the *2021 Filing Requirements* requires that distributors propose an approximate allocation for the recovery of the CBR variance. Selecting this Class A option to account for Class A customers in Tab 1. 'Information Sheet' results in Tab 6. 'Class A Consumption Data' requirement to input the Billing Determinants by Customer for kWh and kW. This tab segregates the consumption for those transition customers who have moved from Class B to Class A during the account accumulation period so that balances maybe appropriately applied to those customers that attributed to them. These reported volumes are then stripped from the disposition of 1580 WMS – CBR Class B Disposition, to appropriately allocate the balance to Class B customers who contributed to the variance account (as has been earlier described in section 3.2.5.3 Global Adjustment).

In the event that the allocated CBR Class B amount results in a volumetric rate rider that rounds to zero at the fourth decimal place in one or more rate classes the entire balance in Account 1580 Sub account CBR Class B will be added to the Account 1580 WMS control account to be disposed through the general purpose Group 1 DVA rate riders. SYNERGY NORTH confirms that for both Rate Zones the volumetric rate riders in one or more classes rounded to zero at the fourth decimal place and therefore is disposed through the general-purpose Group 1 DVA rate riders.

3.2.5.5 Account 1595 Analysis Workform

Thunder Bay Rate Zone:

As per the OEB guidance, distributors who meet the requirements for disposition of residual balances of account 1595 must complete the 1595 Analysis workform. The 1595 workform compares principal and interest amounts previously approved for disposition to the residual balances which are remaining after amounts have been recovered/refunded to customers through rate riders.

SYNERGY NORTH Thunder Bay Rate Zone is requesting disposition of it Account 1595 – 2017 vintage in the amount of \$135,893 in this 2021 application. As can be seen on Tab. 3 'Continuity Schedule' of the rate generator.

SYNERGY NORTH Thunder Bay Rate Zone does not hold any 1595 balances of prior vintages in its general ledger and therefore does not require any other disposition approvals of 1595 (2015) and 1595 (2016), as these have been previously disposed of on a final basis and eliminated.

SYNERGY NORTH has completed the 1595 Analysis Workform for Thunder Bay Rate Zone and has determined that the rate rider amounts collected are reasonable for both the 'Total Group 1 and Group 2 Balances excluding account 1589', as well as the 'Account 1589 Global Adjustment'. As these disposition group account residual balances are within the +/- 10% threshold of the originally approved balances, no further analysis is required.

Thunder Bay Rate Zone 1595 (2017) Analysis Results:

| Line No. | Components of 1595 Account Balances: | Collections Returns Variance | Total Residual Balance |
|----------|---|---------------------------------|---------------------------|
| 1 | Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment | -5.3% | \$ 102,430.00 |
| 2 | Account 1589 - Global Adjustment | 2.5% | \$ 33,463.00 |
| 3 | Total Group 1 and Group 2 Balances | -2.8% | \$ 135,893.00 |

Kenora Rate Zone:

SYNERGY NORTH is requesting approval to dispose of the deferrals and variance account balances for 1595 sub-account vintages 1595(2017) in the Kenora Rate Zone. In it's 2017 Decision and Rate Order (EB-2016-0086) Kenora Rate Zone did not elect to dispose of its Group 1 deferral and variance accounts, and as a result did not generate a rate rider for collection/returns during the 2017 rate year. Kenora Rate Zone's application did produce a Shared Tax Adjustment during 2017. Shared Tax Adjustment is annual mechanism for sharing of the impact of legislated tax changes between shareholders and ratepayers over the 2017 period between cost of service proceedings and yearly. Kenora Rate Zone requested that this amount be recorded in variance account 1595 for disposition in a future application given the associated rate rider alone would be negligible. Kenora Rate Zone did receive OEB approval to dispose of its Group 2 – Shared Tax Adjustments by way of setting up a 1595-2017 vintage account. The OEB approved the tax change amount of \$825 total, resulting in a shared amount of \$412.50 to be distributed to rate payers in a future disposition.

Therefore, in the 1595 Workform account 1595-2017 there are not any offsetting collections or returns to apply against the 1595-2017 account and results in an 100% variance due to the nature of the tax sharing account and OEB Approvals.

SYNERGY NORTH is proposing the disposal of Group 1 accounts, and as such it proposes to dispose of the 1595-2017 in this year's application and the amount has been included in the Continuity Schedule.

Kenora Rate Zone 1595 (2017) Analysis Results:

| Line No. | Components of 1595 Account Balances: | Collections Returns Variance | Total Residual Balance |
|----------|---|---------------------------------|---------------------------|
| 1 | Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment | 100.0% | (412) |
| 2 | Account 1589 - Global Adjustment | | |
| 3 | Total Group 1 and Group 2 Balances | 100.0% | (412) |

3.2.6 LRAMVA

SYNERGY NORTH acknowledges, in accordance with the Board's Filing Requirements for Conservation and Demand Management ("CDM"), at minimum, distributors must apply for disposition of the balance in the Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") at the time of their Cost of Service rate application. Distributors may apply for the disposition of the balance in the LRAMVA on an annual basis, as part of their IRM rate applications, if the balance is deemed significant.

3.2.6.1 Disposition of LRAMVA

SYNERGY NORTH will not be seeking disposition of its LRAMVA in its 2021 IRM Rate Application for either Rate Zone and has not included the amount to be allocated in Tab 4. 'Billing Determinants'.

3.2.7 Tax Changes

Thunder Bay Rate Zone:

Under a 4th Generation IR, a 50/50 sharing of any tax savings is required if legislated tax changes, when applied to the tax provision calculation in a Cost of Service application, result in savings to the LDC. In SYNERGY NORTH Thunder Bay Rate Zone's most recent Cost of Service electricity distribution rate application (EB-2016-0105), the corporate tax rate used was 26.5%. Currently there are no known legislated tax changes in 2021 that will create tax savings.

Kenora Rate Zone:

In SYNERGY NORTH Kenora Rate Zone's most recent Cost of Service electricity distribution rate application (EB-2010-035), the corporate tax rate used in this determination was 15.5% for May 1, 2011 rates. There is a known legislated tax change that will reduce the combined tax rate to 12.5%. This reduction results in a total tax savings of \$5,364. The required 50/50 sharing of \$2,682 does not result in a calculated rate rider in this model. This amount will be recorded in the 2020 year end as a credit into a Sub-Account 1595.

3.2.8 Z-Factor Claims

SYNERGY NORTH is not requesting the recovery of costs associated with unforeseen events or extraordinary costs by means of a Z-Factor in this application.

3.3 Elements Specific Only to the Price Cap IR Plan

3.3.1 / 3.3.2 Advanced Capital Model\Incremental Capital Module

SYNERGY NORTH is not proposing any Incremental Capital Module cost recovery in this application. The 2021 Capital Module application to ACM and ICM has not been completed.

3.3.3 Treatment of Costs for “Eligible Investments”

SYNERGY NORTH is not requesting advanced funding for renewable generation connection costs or smart grid development costs at this time.

3.3.4 Conservation and Demand Management Costs for Distributors

SYNERGY NORTH confirms, in accordance with the Section 3.3.4 of the *2019 Filing Requirements* that no CDM costs are included in distribution rates. These costs were excluded from Revenue Requirement calculations in Thunder Bay Hydro's 2017 Cost of Service Rate application and Kenora Hydro's 2011 Cost of Service Rate application.

3.3.5 Off Ramps

SYNERGY NORTH's first merged 2019 RRR filing included a regulated achieved ROE for 2019 within the 300-basis point dead band. SYNERGY NORTH has not exceeded the ROE dead band and continues to request a Price Cap IR adjustment in this application for the Thunder Bay Rate Zone, and the Annual IR Index for Kenora Rate Zone as per the Board Approved MAAD application decision.

3.4 Specific Exclusions from Price Cap IR or Annual IR Index Applications

SYNERGY NORTH confirms that it is not seeking any specifically excluded items in this rate application process. SYNERGY NORTH also confirms that it does not intend to reduce its inflation rate.

3.4.1 Specific Request

In SYNERGY NORTH's OEB Approved Decision and Rate Order (EB-2019-0068) for 2020 rates effective May 1st, 2020 and implemented November 1st, 2020 SYNERGY NORTH deferred the recovery of any forgone revenue resulting from the six-month postponed implementation of its 2020 distribution rates for both Rate Zones. SYNERGY NORTH proposed to maintain the forgone revenue sub-account balances for a future disposition request (either as part of its 2021 IRM rate application or, a subsequent rate proceeding, or at the latest, as part of its next rebasing application). SYNERGY NORTH cited the current economic climate and continuous uncertainty related to COVID-19 as rationale to defer collection of any forgone revenue. Following its review of Bill Impacts for the May 1, 2021 proposed rates SYNERGY NORTH has proposes the collection of the COVID 19 Forgone Revenue deferral rate riders in this rate year.

SYNERGY NORTH confirms that it is seeking to collect its COVID 19-Forgone Revenue Deferral Rate Riders over a 6-month period from May 1st, 2021 – October 31st, 2021. SYNERGY NORTH also confirms that it has completed the Board model calculations to determine the forgone revenue (and forgone revenue sub-account balances) for fixed and volumetric rate riders using actual billed data. Supporting calculations are in the electronic excel workbook named "*EB-2020-0055-SN_2020_COVID19_Forgone_Revenue_RR*". Each of the forgone rate riders have been inputted into Tab 18. 'Additional Rates' for each Rate Zone and are also included in the Tab 19. 'Final Tariff Sheet', and Tab 20. 'Bill Impacts'.

Thunder Bay Rate Zone Proposed Forgone Revenue Rate Riders:

| Rate Class | Unit | Forgone Revenue Rate Rider (Fixed) | Forgone Revenue Rate Rider (Volumetric) |
|--|------|------------------------------------|---|
| RESIDENTIAL SERVICE CLASSIFICATION | kWh | \$0.38 | - |
| GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION | kWh | \$0.43 | \$0.0003 |
| GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION | kW | \$3.24 | \$0.0448 |
| GENERAL SERVICE 1,000 KW OR GREATER SERVICE CLASSIFICATION | kW | \$47.01 | \$0.0467 |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION | kWh | \$0.13 | \$0.0002 |
| SENTINEL LIGHTING SERVICE CLASSIFICATION | kW | \$0.12 | \$0.1046 |
| STREET LIGHTING SERVICE CLASSIFICATION | kW | \$0.02 | \$0.1079 |
| microFIT SERVICE CLASSIFICATION | 0 | - | - |

Kenora Rate Zone Proposed Forgone Revenue Rate Riders:

| Rate Class | Unit | Forgone Revenue Rate Rider (Fixed) | Forgone Revenue Rate Rider (Volumetric) |
|--|------|------------------------------------|---|
| RESIDENTIAL SERVICE CLASSIFICATION | kWh | \$0.43 | - |
| GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION | kWh | \$0.55 | \$0.0001 |
| GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION | kW | \$7.68 | \$0.0245 |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION | kWh | \$0.20 | \$0.0001 |
| STREET LIGHTING SERVICE CLASSIFICATION | kW | \$0.07 | \$0.0489 |
| microFIT SERVICE CLASSIFICATION | 0 | - | - |

3.5 Bill Impacts

The service and rate classifications, and the associated electricity distribution rates included in the 2021 IRM models, are those approved by the Board in its Decision and Orders in SYNERGY NORTH Thunder Bay Rate Zone 2017 Cost of Service Rate Application (EB-2016-0105) and Kenora Rate Zone 2011 Cost of Service Rate Application (EB-2010-0135).

Thunder Bay Rate Zone Bill Impacts:

The total bill impact to a Residential Regulated Price Plan customer in the Thunder Bay Rate Zone with a monthly electricity consumption of 750 kWh's is an increase of \$0.59 or 0.50% per month (incl. HST and 33.2% Ontario Electricity Rebate).

The total bill impact to a "General Service < 50 kW Service Classification" Regulated Price Plan in the Thunder Bay Rate Zone customer with a monthly electricity consumption of 2,000 kWh's is an increase of \$1.53 or 0.50% per month (Inc. HST and 33.2% Ontario Electricity Rebate).

Table 10 includes a summary of the bill impacts for each rate class, based on the outcomes of the detailed bill impacts in Tab 20 of the 2021 IRM Rate Generator Model.

Table 10: Thunder Bay Rate Zone 2021 Bill Impact Summary

| RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer) | Units | Sub-Total | | | | | | Total | |
|--|-------|-----------|------|-------------|-------|-------------|-------|-------------|------|
| | | A | | B | | C | | Total Bill | |
| | | \$ | % | \$ | % | \$ | % | \$ | % |
| RESIDENTIAL SERVICE CLASSIFICATION - RPP | kWh | \$ 0.81 | 3.2% | \$ 0.66 | 2.2% | \$ 0.74 | 1.9% | \$ 0.59 | 0.5% |
| GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP | kWh | \$ 2.11 | 3.3% | \$ 1.71 | 2.2% | \$ 1.92 | 1.9% | \$ 1.53 | 0.5% |
| GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Other) | kW | \$ 19.01 | 3.1% | \$ 106.07 | 18.0% | \$ 107.93 | 9.9% | \$ 121.97 | 1.4% |
| GENERAL SERVICE 1,000 KW OR GREATER SERVICE CLASSIFICATION - Non-RPP (Other) | kW | \$ 243.31 | 3.3% | \$ 1,234.26 | 17.5% | \$ 1,281.12 | 9.1% | \$ 1,425.06 | 1.4% |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP | kWh | \$ 0.43 | 3.2% | \$ 0.39 | 2.5% | \$ 0.43 | 2.1% | \$ 0.35 | 0.6% |
| SENTINEL LIGHTING SERVICE CLASSIFICATION - RPP | kW | \$ 0.48 | 3.2% | \$ 0.43 | 2.8% | \$ 0.44 | 2.4% | \$ 0.35 | 1.7% |
| STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Other) | kW | \$ 21.89 | 3.3% | \$ 80.20 | 12.2% | \$ 81.40 | 8.4% | \$ 91.98 | 1.5% |
| RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer) | kWh | \$ 0.81 | 3.2% | \$ 2.16 | 7.4% | \$ 2.24 | 5.8% | \$ 2.53 | 1.6% |
| RESIDENTIAL SERVICE CLASSIFICATION - RPP | kWh | \$ 0.81 | 3.2% | \$ 0.76 | 2.8% | \$ 0.79 | 2.6% | \$ 0.63 | 1.2% |
| GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION - Non-RPP (Retailer) | kW | \$ 16.84 | 3.1% | \$ 105.19 | 20.5% | \$ 106.91 | 11.2% | \$ 120.81 | 1.4% |

SYNERGY NORTH notes that none of its customer rate classes in the Thunder Bay Rate Zone are nearing the 10% threshold consideration for mitigation measures by distributors.

Kenora Rate Zone Bill Impacts:

The total bill impact to a Residential Regulated Price Plan customer in the Kenora Rate Zone with a monthly electricity consumption of 750 kWh's is an increase of \$0.03 or 0.0% per month (incl. HST and 33.2% Ontario Electricity Rebate).

The total bill impact to a "General Service < 50 kW Service Classification" Regulated Price Plan customer with a monthly electricity consumption of 2,000 kWh's is a decrease of (\$0.40) or (0.1%) per month (incl. HST and 33.2% Ontario Electricity Rebate).

Table 11 includes a summary of the bill impacts for each rate class, based on the outcomes of the detailed bill impacts in Tab 20 of the 2021 IRM Rate Generator Model.

Table 11: Kenora Rate Zone 2021 Bill Impact Summary

| RATE CLASSES / CATEGORIES (eg: Residential TOU, Residential Retailer) | Units | Sub-Total | | | | | | Total | |
|--|-------|-----------|------|-----------|-------|-----------|-------|------------|-------|
| | | A | | B | | C | | Total Bill | |
| | | \$ | % | \$ | % | \$ | % | \$ | % |
| RESIDENTIAL SERVICE CLASSIFICATION - RPP | KWh | \$ 0.87 | 2.8% | \$ 0.27 | 0.8% | \$ 0.04 | 0.1% | \$ 0.03 | 0.0% |
| GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION - RPP | KWh | \$ 1.52 | 2.9% | \$ (0.08) | -0.1% | \$ (0.50) | -0.6% | \$ (0.40) | -0.1% |
| GENERAL SERVICE 50 to 4,999 KW SERVICE CLASSIFICATION - Non-RPP (Other) | kW | \$ 20.44 | 2.8% | \$ 2.90 | 0.4% | \$ (6.46) | -0.6% | \$ (7.30) | -0.3% |
| UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION - RPP | KWh | \$ 17.26 | 3.0% | \$ 7.26 | 1.3% | \$ 4.65 | 0.7% | \$ 3.71 | 0.2% |
| STREET LIGHTING SERVICE CLASSIFICATION - Non-RPP (Retailer) | kW | \$ 73.75 | 2.8% | \$ 90.89 | 3.5% | \$ 84.01 | 2.9% | \$ 94.94 | 1.1% |
| RESIDENTIAL SERVICE CLASSIFICATION - Non-RPP (Retailer) | KWh | \$ 0.87 | 2.8% | \$ 1.25 | 3.6% | \$ 1.01 | 2.4% | \$ 1.14 | 0.7% |
| RESIDENTIAL SERVICE CLASSIFICATION - RPP | KWh | \$ 0.87 | 2.8% | \$ 0.67 | 2.0% | \$ 0.59 | 1.7% | \$ 0.47 | 0.8% |

SYNERGY NORTH notes that none of its customer rate classes in the Kenora Rate Zone are nearing the 10% threshold consideration for mitigation measures by distributors.