



## EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

2020 Cost of Service

Hearst Power Distribution Company Ltd.  
EB-2020-0027

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## 9.2 OVERVIEW

### 9.2.1 OVERVIEW

The purpose of this exhibit is to identify the variance/deferral accounts that have been used, provide the principal balance recorded in each variance/deferral account and derive the carrying charges on each account's balance up to and including December 31, 2019. 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. HPDCL 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 HPDCL's Audited Financial Statements.

HPDCL 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.

HPDCL proposes to dispose of a credit of \$36,378 related to Group 1 and debit of \$36,272 related to Group 2 Variance/Deferral Accounts. This credit includes carrying charges up to and including December 31, 2019. HPDCL also proposes to dispose of the following:

- A net balance of \$52,889 recorded in account 1568 being the Lost Revenue Adjustment Mechanism Variance Account,

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

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

- 1 A breakdown of energy sales and cost of power expense balances, as reported in HPDCL's
- 2 Audited Financial Statements, is provided Section 9.10.2.
- 3 HPDCL confirms that it pro-rates the IESO Global Adjustment Charge into the RPP and Non-RPP
- 4 portions.

## 9.3 STATUS & DISPOSITION OF DEFERRAL & VARIANCE ACCOUNTS

### 9.3.1 DESCRIPTION OF DVA USED BY THE APPLICANT<sup>1</sup>

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, 2019, 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, HPDCL 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**

<i>Account Descriptions</i>	<b>Account Number</b>	<b>Total Claim</b>
<b>Group 1 Accounts</b>		
<i>LV Variance Account</i>	1550	\$92,381.81
<i>Smart Metering Entity Charge Variance Account</i>	1551	-\$319.74
<i>RSVA - Wholesale Market Service Charge<sup>5</sup></i>	1580	\$2,692.82
<i>Variance WMS – Sub-account CBR Class A<sup>5</sup></i>	1580	\$0.00
<i>Variance WMS – Sub-account CBR Class B<sup>5</sup></i>	1580	\$270.71
<i>RSVA - Retail Transmission Network Charge</i>	1584	-\$15,978.23
<i>RSVA - Retail Transmission Connection Charge</i>	1586	-\$19,958.55
<i>RSVA - Power (excluding Global Adjustment)<sup>4</sup></i>	1588	-\$20,880.34
<i>RSVA - Global Adjustment<sup>4</sup></i>	1589	-\$6,941.02
<i>Disposition and Recovery/Refund of Regulatory Balances (2014 and pre-2014)<sup>3</sup></i>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)<sup>3</sup></i>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2016)<sup>3</sup></i>	1595	\$0.00

<sup>1</sup> MFR - List of all outstanding DVA and sub-accounts; provide description of DVAs that were used differently than as described in the APH

<i>Disposition and Recovery/Refund of Regulatory Balances (2017)<sup>3</sup></i>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2018)<sup>3</sup></i>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2019)<sup>3</sup></i>	1595	\$0.00
<b>Group 1 Sub-Total (including Account 1589 - Global Adjustment)</b>		\$31,267.46
<b>Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)</b>		\$38,208.47
<b>RSVA - Global Adjustment 4</b>	<b>1589</b>	<b>-\$6,941.02</b>

1



## 9.3.2 DISPOSITION OF DVAS USED BY THE APPLICANT<sup>2</sup>

### **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](http://www.ontarioenergyboard.ca/oeb/_Documents/Regulatory/Accounting_Procedures_Handbook_Elec_Distributors.pdf)

### **1550 – LV Variance Account**

For account 1550, HPDCL is requesting disposition of the December 31, 2019, audited balance. HPDCL 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 \$92,381.81.

### **1551 – Smart Metering Entity Charge Variance Account**

For account 1551, HPDCL is requesting disposition of the December 31, 2019, audited balance. HPDCL 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 -\$319.74.

### **1580 – Retail Settlement Variance Account 1 – Wholesale Market Service Charges (“RSVAWMS”)<sup>3</sup>**

For account 1580, HPDCL is requesting disposition of the December 31, 2019, audited balance. HPDCL attests that its audited balances for this account reconciles with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of \$2,692.82.

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<sup>2</sup> MFR - Explanation if account balances in continuity schedule differs from trial balance in RRR and AFS

<sup>3</sup> 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, HPDCL is requesting disposition of the December 31, 2019, audited balance.  
HPDCL 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 -\$15,978.23

**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, HPDCL is requesting disposition of the December 31, 2019, audited balance.  
HPDCL 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 -\$19,958.55

**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, HPDCL is requesting disposition of the December 31, 2019, audited balance. HPDCL 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 -\$20,880.34

**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, HPDCL is requesting disposition of the December 31, 2019, audited balance. HPDCL attests that its audited balances for this account reconcile with filing 2.1.7 of its RRR. The balance requested for disposal, including carrying charges is a debit of -\$6,941.02.

**Group 2 Accounts<sup>4</sup>**

**1508 – Pole Attachment Revenue Variance Account.**

This account is used by distributors to capture the difference between the Pole Attachment charges approved in the previous COS and the new rates outlined in the OEB's Wireline Pole Attachment Charges Report (EB-2015-0304) released on March 22, 2018.

Carrying charges have been applied to this account using simple interest applied to the monthly opening balances in the account (exclusive of accumulated interest). The rate of interest used is the rate prescribed by the Board.

HPDCL is requesting disposition of the December 31, 2019 audited balance plus subsequent increased revenue recorded in 2020 and 2021. The balance for account 1508 Pole Attachment Revenue Variance requested for disposal, including carrying charges is a credit of -\$41,323.37.

WNP is not planning on using this account further once disposition is complete.

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<sup>4</sup> 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.

### 9.3.3 DISPOSITION OF ACCOUNT 1595

HPDCL is not disposing of residual balances in 1595 balances as part of this application.

### 9.3.4 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.<sup>5</sup>

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

<i>Period</i>	<i>Interest Rate</i>
Q3 2020	.57
Q2 2020	.57
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
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

<sup>5</sup> MFR - Confirm use of interest rates established by the OEB by month or by quarter for each year

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

3 [http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Rules+Codes+Guid](http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Rules+Codes+Guidelines+and+Forms/Prescribed+Interest+Rates)  
4 [elines+and+Forms/Prescribed+Interest+Rates](http://www.ontarioenergyboard.ca/OEB/Industry/Rules+and+Requirements/Rules+Codes+Guidelines+and+Forms/Prescribed+Interest+Rates)

5 Closing Interest Balances as of December 31, 2019, Adjusted for Dispositions during 2020 are  
6 detailed in the table below:

7

**Table 3 - Closing Interest Balances as of Dec 31, Hist 2019, Adj. for Dispositions during 2020**

<b>Group 1 Accounts</b>		<b>Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020 (2)</b>	<b>Projected Interest from January 1, 2021 to April 30, 2021 on Dec 31 - 19 balance adjusted for disposition during 2020 (2)</b>	<b>Total Interest</b>	<b>Total Claim</b>
<i>LV Variance Account</i>	1550	\$4,765	\$988	\$4,110	\$92,381.81
<i>Smart Metering Entity Charge Variance Account</i>	1551	-\$16	-\$3	-\$4	-\$319.74
<i>RSVA - Wholesale Market Service Charge</i> <sup>5</sup>	1580	\$139	\$29	\$80	\$2,692.82
<i>Variance WMS – Sub-account CBR Class A5</i>	1580	\$0	\$0	\$0	\$0.00
<i>Variance WMS – Sub-account CBR Class B5</i>	1580	\$14	\$3	\$30	\$270.71
<i>RSVA - Retail Transmission Network Charge</i>	1584	-\$824	-\$171	-\$1,311	-\$15,978.23
<i>RSVA - Retail Transmission Connection Charge</i>	1586	-\$1,029	-\$213	-\$1,388	-\$19,958.55
<i>RSVA - Power (excluding Global Adjustment)</i> <sup>4</sup>	1588	-\$1,077	-\$223	-\$4,757	-\$20,880.34
<i>RSVA - Global Adjustment</i> <sup>4</sup>	1589	-\$358	-\$74	-\$651	-\$6,941.02
<i>Disposition and Recovery/Refund of Regulatory Balances (2013)</i> <sup>3</sup>	1595	\$38	\$8	\$807	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2014)</i> <sup>3</sup>	1595	\$267	\$55	\$752	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i> <sup>3</sup>	1595	\$0	\$0	\$0	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2016)</i> <sup>3</sup>	1595	-\$3	-\$1	-\$49	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2017)</i> <sup>3</sup>	1595	-\$160	-\$33	\$5,865	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2018)</i> <sup>3</sup>	1595	\$9,673	\$2,005	-\$137,984	\$0.00
Not to be disposed of until a year after rate rider has expired and that balance has been audited					
<b>Group 1 Sub-Total (including Account 1589 - Global Adjustment)</b>		\$16,829	\$3,488	-\$126,815	\$31,267.46
<b>Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)</b>		\$17,187	\$3,562	-\$126,163	\$38,208.47
<b>RSVA - Global Adjustment</b> <sup>12</sup>	<b>1589</b>	<b>-\$358</b>	<b>-\$74</b>	<b>-\$651</b>	<b>-\$6,941.02</b>

1

<b>Group 2 Accounts</b>		<b>Projected Interest from Jan 1, 2020 to December 31, 2020 on Dec 31 -19 balance adjusted for disposition during 2020 (2)</b>	<b>Projected Interest from January 1, 2021 to April 30, 2021 on Dec 31 -19 balance adjusted for disposition during 2020 (2)</b>	<b>Total Interest</b>	<b>Total Claim</b>
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508			\$194	\$193.94
<i>Pole Attachment Revenue Variance<sup>5</sup></i>	1508	-\$2,131	-\$442	-\$3,132	-\$41,323.37
<i>Retail Service Charge Incremental Revenue<sup>6</sup></i>	1508			\$0	\$0.00
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508			\$0	\$0.00
<i>Retail Cost Variance Account - Retail<sup>6</sup></i>	1508			\$0	\$0.00
<i>Pension &amp; OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges</i>	1508			\$0	\$0.00
<i>Misc. Deferred Debits</i>	1508			\$0	\$4.20
<i>Retail Cost Variance Account - STR<sup>6</sup></i>	1518			\$169	\$4,826.31
<i>Extra-Ordinary Event Costs</i>	1525			\$0	\$0.00
<i>Deferred Rate Impact Amounts</i>	1548			\$0	\$0.00
<i>RSVA - One-time</i>	1567			\$0	\$0.00
<i>Other Deferred Credits</i>	1572			\$0	\$0.00
	1574				
<b>Group 2 Sub-Total</b>	<b>1582</b>	<b>-\$2,131</b>	<b>-\$442</b>	<b>-\$2,770</b>	<b>-\$36,298.92</b>
<i>PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)</i>	1592			\$0	\$0.00
<i>PILs and Tax Variance for 2006 and Subsequent Years - Sub-Account HST/OVAT Input Tax Credits (ITCs)</i>	1592			\$0	\$0.00
<b>LRAM Variance Account<sup>11</sup></b>	<b>1568</b>			\$2,564	\$52,916.38
<b>Total including Account 1568</b>		<b>-\$2,131</b>	<b>-\$442</b>	<b>-\$206</b>	<b>\$16,617.46</b>
<i>Pension &amp; OPEB Forecast Accrual versus Actual Cash Payment Differential</i>	1522				
<i>Pension &amp; OPEB Forecast Accrual versus Actual Cash Payment Differential Contra Account</i>	1522				
<i>Renewable Generation Connection Capital Deferral Account</i>	1531				
<i>Renewable Generation Connection OM&amp;A Deferral Account</i>	1532				

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<i>Renewable Generation Connection Funding Adder Deferral Account</i>	1533				
<i>Smart Grid Capital Deferral Account</i>	1534				
<i>Smart Grid OM&amp;A Deferral Account</i>	1535				
<i>Smart Grid Funding Adder Deferral Account</i>	1536				
<i>Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs</i>	1555			\$1,324	-\$1,092.38
<i>Meter Cost Deferral Account (MIST Meters)<sup>3</sup></i>	1557				
<i>IFRS-CGAAP Transition PP&amp;E Amounts Balance + Return Component</i>	1575				
<i>Accounting Changes Under CGAAP Balance + Return Component</i>	1576				

### 9.3.5 DEPARTURE FROM BOARD APPROVED BALANCES

HPDCL 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.

### 9.3.6 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 2019 audited financial statements is requested. The sale of energy is a flow through revenue and the cost of power is a flow through expense. HPDCL 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 2019 RRR 2.1.7 <sup>6</sup> Mapping of the 2019 Financial Statements and the RRR 2.1.7 are presented in Exhibit 1.

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

<i><b>Power Supply Expenses</b></i>	<i><b>2019</b></i>
<i>4705-Power Purchased</i>	<i>\$4,277,989</i>
<i>4707-Global Adjustment</i>	<i>\$3,434,289</i>
<i>4708-Charges-WMS</i>	<i>\$268,899</i>
<i>4710-Cost of Power Adjustments</i>	<i>\$0</i>
<i>4712-Charges-One-Time</i>	<i>\$0</i>
<i>4714-Charges-NW</i>	<i>\$508,656</i>
<i>4715-System Control and Load Dispatching</i>	<i>\$0</i>
<i>4716-Charges-CN</i>	<i>\$445,295</i>
<i>4720-Other Expenses</i>	<i>\$0</i>
<i>4725-Competition Transition Expense</i>	<i>\$0</i>
<i>4730-Rural Rate Assistance Expense</i>	<i>\$0</i>
<i>4750-Charges - LV</i>	<i>\$89,228</i>
<i>4751-IESO Smart Meter Entity Expenses</i>	<i>\$18,194</i>
<i>Total</i>	<i><b>\$9,042,549</b></i>

<sup>6</sup> 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.

1

<b><i>Sales of Electricity</i></b>	<b><i>2019</i></b>
<i>4006-Residential Energy Sales</i>	-\$2,112,655
<i>4010-Commercial Energy Sales</i>	\$0
<i>4015-Industrial Energy Sales</i>	\$0
<i>4020-Energy Sales to Large Users</i>	\$0
<i>4025-Street Lighting Energy Sales</i>	-\$1,939
<i>4030-Sentinel Lighting Energy Sales</i>	-\$827
<i>4035-General Energy Sales</i>	-\$5,386,112
<i>4040-Other Energy Sales to Public Authorities</i>	\$0
<i>4045-Energy Sales to Railroads and Railways</i>	\$0
<i>4050-Revenue Adjustment</i>	\$0
<i>4055-Energy Sales for Resale</i>	-\$210,743
<i>4060-Interdepartmental Energy Sales</i>	\$0
<i>4062-Billed WMS</i>	-\$304,270
<i>4064-Billed One-Time</i>	\$0
<i>4066-Billed NW</i>	-\$508,656
<i>4068-Billed CN</i>	-\$445,295
<i>4071-Charges – Smart Metering Entity Charge</i>	\$0
<i>4075-Billed - LV</i>	-\$53,858
<i>4076-IESO Smart Meter Entity Billed</i>	-\$18,194
<b><i>Total</i></b>	<b>-\$9,042,549</b>

2

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

### 9.3.7 PROPOSED CHARGE PARAMETERS

HPDCL 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**

	<b>Allocator</b>	
<i>LV Variance Account</i>	1550	kWh
<i>Smart Metering Entity Charge Variance Account</i>	1551	# of Customers
<i>RSVA - Wholesale Market Service Charge</i>	1580	kWh
<i>RSVA - Retail Transmission Network Charge</i>	1584	kWh
<i>RSVA - Retail Transmission Connection Charge</i>	1586	kWh
<i>RSVA - Power (excluding Global Adjustment)</i>	1588	kWh
<i>RSVA - Global Adjustment</i>	1589	Non-RPP kWh
<i>Disposition and Recovery/Refund of Regulatory Balances ([BA])</i>	1595	%
<i>Disposition and Recovery/Refund of Regulatory Balances (Hist Year)</i>	1595	%
<i>Disposition and Recovery/Refund of Regulatory Balances (Hist Year)</i>	1595	%
<i>Disposition and Recovery/Refund of Regulatory Balances (Hist Year 1)</i>	1595	%
<i>Disposition and Recovery/Refund of Regulatory Balances (Hist Year 2)</i>	1595	%
<i>Disposition and Recovery/Refund of Regulatory Balances (Hist Year 3)</i>	1595	%
<b>Total of Group 1 Accounts (excluding 1589)</b>		
<i>Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs</i>	1508	kWh
<i>Other Regulatory Assets - Sub-Account - Incremental Capital Charges</i>	1508	kWh
<i>Other Regulatory Assets - Sub-Account - Financial Assistance Payment and Recovery Variance - Ontario Clean Energy Benefit Act</i>	1508	kWh
<i>Other Regulatory Assets - Sub-Account - Other</i>	1508	kWh
<i>Ontario Rebate for Electricity Consumers (OREC)</i>	1508	kWh
<i>OFHP Distribution Rate Protection (DRP)</i>	1508	kWh
<i>OFHP Non-RPP Consumer (GA Modifier)</i>	1508	kWh
<i>Retail Cost Variance Account - Retail</i>	1518	kWh
<i>LRAMVA</i>	1568	kWh

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

## 9.4 DERIVATION OF COST OF POWER

### 9.4.1 BREAKDOWN OF THE COST OF POWER

HPDCL calculated the cost of power for the 2020 Bridge Year and the 2021 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, 2020, to April 30, 2021. Should the Board publish a revised Regulated Price Plan Report prior to the Board's Decision in the application, HPDCL 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. HPDCL 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 HPDCL's cost of power are 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**

<b>2021 Test Year - Cop</b>	<b>Cop</b>
<i>4705 -Power Purchased</i>	\$4,986,963
<i>4707- Global Adjustment</i>	\$3,549,866
<i>4708-Charges-WMS</i>	\$281,150
<i>4714-Charges-NW</i>	\$529,988
<i>4716-Charges-CN</i>	\$467,160
<i>4730-RRRP</i>	\$41,346
<i>4750-Charges-LV</i>	\$145,352
<i>4751-IESO SME</i>	\$18,603
<i>OER Credit</i>	-\$1,978,287
<b>TOTAL</b>	<b>\$8,042,141</b>

The Commodity share of the Cost of Power is calculated according to the OEB's guidance and models.

**Network Connection**

The Transmission Network charges are calculated in the OEB's RTSR model. The Rates are applied to the 2021 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 2021 is projected at \$529,988.

**Transmission Connection**

The Transmission Connection charges are also calculated in the OEB's RTSR model. The Rates are applied to the 2021 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 2021 is projected at \$467,160.

**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, HPDCL has applied the Board Approved \$0.0036/kWh to its 2020 Load Forecast to include \$281,150 in its Cost of Power.

**Rural Rate Protection**

In compliance with this order, HPDCL has applied the Board Approved \$0.0005/kWh to its 2021 Load Forecast to include \$41,34 in its Cost of Power.

# **Smart Meter Entity**

In compliance with this order, HPDCL has applied the Board Approved \$0.57/kWh to its 2021 Customer Forecast to include \$18,603 in its Cost of Power.

## **Low Voltage Charges**

The table below presents the derivation of proposed retail rates for Low Voltage ("LV") service. The 2021 estimates of total LV charges were calculated based on an average of the last 4 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 2021 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. 2021 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 2021 is projected at \$142,117.

	2015	2016	2017	2018	2019	5-year avg	4-year avg
<i>4075-Billed - LV</i>	\$55,473	\$53,546	\$52,873	\$52,936	\$53,858	\$53,737	\$53,303
<i>4750-Charges - LV</i>	\$109,233	\$135,225	\$137,568	\$153,633	\$142,130	\$135,558	\$142,139

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## 9.5 RETAIL SERVICE CHARGE

### 9.5.1 OVERVIEW<sup>78</sup>

HPDCL does use account 1518 to track RCVA Retail, but not use account 1548.

HPDCL Confirms that all costs incorporated into the variances reported in Account 1518 (RCVA Retail) are incremental costs of providing retail services. The balance in this account is directly related to the billing expenses for retailer accounts, less the revenue offsets. HPDCL Confirms that it has followed Article 490, Retail Services and Settlement Variances of the APH for Account 1518, including OEB Decision EB-2015-0304, as updated.

EB-2015-0304 (Feb 14, 2019) states "*Electricity distributors that currently record the revenues and costs associated with the RCVAs are expected to continue to do so until their next rebasing application. At rebasing, the balances will be disposed of and the RCVAs will be eliminated.*" and as such, HPDCL is requesting disposition in this rate proceeding.

Please find below a schedule identifying all revenues and expenses listed by USoA account numbers that are incorporated into the variances recorded in Account 1518 and/or Account 1548

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<sup>7</sup> 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

<sup>8</sup> MFR - Retail Service Charges - zero balance in 1518 or 1548 - state whether Article 490 of APH has been followed; explanation if not followed



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Table 7 – 2019 Revenues and Expenses related to 1518

RCVA RETAIL																										
2019		JAN		FEB		MARCH		APRIL		MAY		JUNE		JULY		AUG		SEPT		OCT		NOV		DEC		
		DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	
34082.000020	RCVA Service Agreement		283.2		283.2		283.2		283.2		561.60		561.60		561.60		561.60		561.60		561.60		556.81		557.80	
45315	Billing	309.14		309.14		309.14		309.14		324.21		324.21		324.21		324.21		324.21		324.21		324.21		324.21		324.21
45630	Hub	450.91		250.91		250.91		250.91		250.91		250.91		250.91		250.91		250.91		250.91		250.91		250.91		250.91
		760.05		560.1		560.1		560.1		575.1		575.1		575.1		575.1		575.1		575.1		575.1		575.1		575.1
11518	RCVA Retail	476.85		276.9		276.9		276.9		13.52		13.52		13.52		13.52		13.52		13.52		18.31		17.32		
34082.000020	RCVA Service Agreement	0		0		0		0		0		0		0		0		0		0		0		0		0
45630	Hub		476.9		276.9		276.9		276.9		13.52		13.52		13.52		13.52		13.52		13.52		18.31		17.32	
In January there is Support from Erth Holdings																										

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**Table 8 – 2018 Revenues and Expenses related to 1518**

RCVA RETAIL																									
2018		JAN		FEB		MARCH		APRIL		MAY		JUNE		JULY		AUG		SEPT		OCT		NOV		DEC	
		DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR
34082.000020	RCVA Service Agreement		317.6		288.8		0		558.5		289.60		289.60		290.40		289.60		289.60		289.60		284.00		283.20
45315	Billing	111.18		111.18		111.48		110.88		111.18		111.18		111.18		111.18		111.18		111.18		111.18		111.18	
45630	Hub	445.03		245.03		245.03		245.03		245.03		245.03		245.03		245.03		245.03		245.03		245.03		245.03	
		556.21		356.2		356.5		355.9		356.2		356.2		356.2		356.2		356.2		356.2		356.2		356.2	
11518	RCVA Retail	238.61		67.41		356.5		202.6	66.61		66.61		65.81		66.61		66.61		66.61		66.61		72.21		73.01
34082.000020	RCVA Service Agreement	0		0		0		202.6		0		0		0		0		0		0		0		0	
45630	Hub		238.6		67.41		356.5		0		66.61		66.61		65.81		66.61		66.61		66.61		72.21		73.01
In January there is Support from Erth Holdings																									

2

**Table 9 – 2017 Revenues and Expenses related to 1518**

RCVA RETAIL		ADD EXPENSE HARRIS BILL PRINT CHANGE FOR RETAILER \$840.00																							
2017		JAN		FEB		MARCH		APRIL		MAY		JUNE		JULY		AUG		SEPT		OCT		NOV		DEC	
		DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR
34082.000020	RCVA Service Agreement		330.6		328.2		328.2		327.9		328.20		307.40		325.60		325.60		324.80		324.00		322.40		322.40
45315	Billing	144.08		144.08		144.08		144.08		144.08		984.08		144.08		144.08		144.08		144.08		144.08		144.08	
45630	Hub	441.41		241.41		241.41		241.41		241.41		241.41		241.41		241.41		241.41		241.41		241.41		241.41	
		585.49		385.5		385.5		385.5		385.5		1225		385.5		385.5		385.5		385.5		385.5		385.5	
11518	RCVA Retail	254.89		57.29		57.29		57.59		57.29		918.1		59.89		59.89		60.69		61.49		63.09		63.09	
34082.000020	RCVA Service Agreement	0		0		0		0		0		0		0		0		0		0		0		0	
45630	Hub		254.9		57.29		57.29		57.59		57.29		918.1		59.89		59.89		60.69		61.49		63.09		63.09
In January																									
there is																									
Support from																									
Erth Holdings																									

**Table 10 – 2016 Revenues and Expenses related to 1518**

RCVA RETAIL																										
2016		JAN		FEB		MARCH		APRIL		MAY		JUNE		JULY		AUG		SEPT		OCT		NOV		DEC		
		DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	
34082.000020	RCVA Service Agreement		358.6		358.6		357.8		357.8		357.8		353		353.8		333.8		332.2		332.2		330.6		330.6	
45315	Billing	140.24		140.24		140.24		140.24		140.24		140.24		140.24		140.24		140.24		140.24		140.24		140.24		
45630	Hub	340.24		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		
		480.48		376.9		376.9		376.9		376.9		376.9		376.9		376.9		376.9		376.9		376.9		376.9		
11518	RCVA Retail	121.88		18.32		19.12		19.12		19.12		23.92		23.12		43.12		44.72		44.72		46.32		46.32		
34082.000020	RCVA Service Agreement	0		0		0		0		0		0		0		0		0		0		0		0		
45630	Hub		121.9		18.32		19.12		19.12		19.12		23.92		23.12		43.12		44.72		44.72		46.32		46.32	
In January there is support from Erth Holdings																										

1

**Table 6 – 2015 Revenues and Expenses related to 1518**

RCVA																									
2015		JAN		FEB		MARCH		APRIL		MAY		JUNE		JULY		AUG		SEPT		OCT		NOV		DEC	
		DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR	DT	CR
34082.000020	RCVA Service Agreement		726.5		370.3		371.9		371.4		370.6		367.4		369		364.2		364.2		363.4		361.8		360.2
	45315 Billing	280.00		130.00		130.00		130.00		130.00		130.00		130.00		130.00		130.00		130.00		130.00		130.00	
45630	Hub	436.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68		236.68	
		716.68		366.7		366.7		366.7		366.7		366.7		366.7		366.7		366.7		366.7		366.7		366.7	
11518	RCVA Retail		9.82		3.62		5.22		4.72		3.92		0.72		2.32		2.48		2.48		3.28		4.88		6.48
34082.000020	RCVA Service	9.82		3.62		5.22		4.72		3.92		0.72		2.32		0		0		0		0		0	
45630	Hub																2.48		2.48		3.28		4.88		6.48
In January there is Unbilled for December as																									
In January there is Annual Support fee																									
Support from Erth Holdings																									

2

HPDC confirms that it has followed Article 490 of the APH for account 1518.

## 9.6 ONE-TIME INCREMENTAL IFRS COSTS

### 9.6.1 OVERVIEW OF ONE TIME COSTS

HPDCL does not have any one-time costs.

## 9.7 ACCOUNT 1575 1576 IFRS-CGAAP TRANSITIONAL AMOUNT

### 9.7.1 OVERVIEW<sup>9</sup>

HPDCL confirms that it does not have any balance remaining in 1575 nor 1576 in this application as HPDCL's rates were approved on the accounting basis of MIFRS in 2015.

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<sup>9</sup> 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

## 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, 2019, being the most recent date when 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, HPDCL proposes to dispose of all its balances listed in the table below.

The 2021\_DVA\_Continuity\_Schedule detailing each account is being filed in conjunction with this application.<sup>10</sup>

**Table 11 - DVA Balances sought for Disposition**

<i>Account Descriptions</i>	<b>Account Number</b>	<b>Total Claim</b>
<b>Group 1 Accounts</b>		
<i>LV Variance Account</i>	1550	\$92,381.81
<i>Smart Metering Entity Charge Variance Account</i>	1551	-\$319.74
<i>RSVA - Wholesale Market Service Charge<sup>5</sup></i>	1580	\$2,692.82
<i>Variance WMS – Sub-account CBR Class A<sup>5</sup></i>	1580	\$0.00
<i>Variance WMS – Sub-account CBR Class B<sup>5</sup></i>	1580	\$270.71
<i>RSVA - Retail Transmission Network Charge</i>	1584	-\$15,978.23
<i>RSVA - Retail Transmission Connection Charge</i>	1586	-\$19,958.55
<i>RSVA - Power (excluding Global Adjustment)<sup>4</sup></i>	1588	-\$20,880.34

<sup>10</sup> MFR - Identify all accounts for which LDC is seeking disposition; identify DVA for which LDC is not proposing disposition and the reasons why

<i>RSVA - Global Adjustment</i> <sup>4</sup>	1589	-\$6,941.02
<i>Disposition and Recovery/Refund of Regulatory Balances (2014 and pre-2014)</i> <sup>3</sup>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2015)</i> <sup>3</sup>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2016)</i> <sup>3</sup>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2017)</i> <sup>3</sup>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2018)</i> <sup>3</sup>	1595	\$0.00
<i>Disposition and Recovery/Refund of Regulatory Balances (2019)</i> <sup>3</sup>	1595	\$0.00
<b>Group 1 Sub-Total (including Account 1589 - Global Adjustment)</b>		\$31,267.46
<b>Group 1 Sub-Total (excluding Account 1589 - Global Adjustment)</b>		\$38,208.47
<b>RSVA - Global Adjustment</b>	<b>1589</b>	<b>-\$6,941.02</b>

- 1
- 2 HPDCL is fully embedded into Hydro One's territory and does not have any Market Participants.
- 3 As such, it does not need to establish separate rate riders to recover balances in the RSVA's from
- 4 Market Participants who must not be allocated the RSVA balances related to charges for which
- 5 the MP's settle directly with the IESO.<sup>11</sup>
- 6 With the exception of account 1568 – LRAMVA, HPDCL does not currently have any balances
- 7 proposed for disposition that are not consistent with the last Audited Financial Statements.<sup>12 13 14</sup>
- 8

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<sup>11</sup> 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.

<sup>12</sup> MFR - Statement whether DVA balances before forecasted interest match the last AFS; explain any variances

<sup>13</sup> 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

<sup>14</sup> 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

HPDCL notes that all relevant calculations are embedded in the 2021\_DVA\_Continuity\_Schedule\_CoS OEB provided model.<sup>15</sup>

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

HPDCL is proposing to dispose of balances in Group 1 and 2 over a period of 12 months. The Rate Rider for account 1568 – LRAMVA is proposed to be recovered over a period of 12 months. The specific recovery periods were chosen in an effort to mitigate rate impacts. All riders are calculated in the OEB's EDVARR model. The rate riders are reproduced at the next page.<sup>16</sup>

The following explains the recovery for each grouping in accordance with both the minimum filing requirements and Rate Design Policy.<sup>17</sup>

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

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

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

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

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<sup>15</sup> Completed DVA continuity schedule for period following last disposition to present - live Excel format

<sup>16</sup> MFR - Propose rate riders for recovery or refund of balances that are proposed for disposition. The default disposition period is one year; if the applicant is proposing an alternative recovery period must provide explanation.

<sup>17</sup> MFR - Propose charge type (fixed or variable) for recovery purposes in accordance with Rate Design Policy

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

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

2016

1

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

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

Year Account 1580 CBR Class B was Last Disposed

2016

**Allocation of Total Consumption (kWh) between Current Class B and Class A/B Transition Customers**

		Total	2019	2018	2017
Total Consumption Less WMP Consumption	A	233,280,943	77,748,076	78,280,121	77,252,746
Customers	B	13,119,183	-	3,936,563	9,182,620
Less Consumption for Full Year Class A Customers	C	47,792,135	28,186,955	19,605,180	-
<b>Total Class B Consumption for Years During Balance Accumulation</b>	<b>D = A-B-C</b>	<b>172,369,625</b>	<b>49,561,121</b>	<b>54,738,378</b>	<b>68,070,126</b>
All Class B Consumption for Transition Customers	E	14,645,544	-	4,431,980	10,213,564
<b>Transition Customers' Portion of Total Consumption</b>	<b>F = E/D</b>	<b>8.50%</b>			

**Allocation of Total CBR Class B Balance \$**

Total CBR Class B Balance	G	\$ 271
Transition Customers Portion of CBR Class B Balance	H=F*G	\$ 23
CBR Class B Balance to be disposed to Current Class B Customers through Rate Rider	I=G-H	\$ 248

**Allocation of CBR Class B Balances to Transition Customers**

# of Class A/B Transition Customers		4							
Customer		Total Metered Class B Consumption (kWh) for Transition Customers During the Period When They were Class B Customers	Metered Class B Consumption (kWh) for Transition Customers During the Period When They were Class B Customers in 2019	Metered Class B Consumption (kWh) for Transition Customers During the Period When They were Class B Customers in 2018	Metered Class B Consumption (kWh) for Transition Customers During the Period When They were Class B Customers in 2017	% of kWh	Customer Specific CBR Class B Allocation for the Period When They Were a Class B Customer	Monthly Equal Payments	
Customer 1		5,879,268	-	-	5,879,268	40.14%	\$ 9	\$ 1	
Customer 2		4,431,980	-	4,431,980	-	30.26%	\$ 7	\$ 1	
Customer 3		3,007,904	-	-	3,007,904	20.54%	\$ 5	\$ 0	
Customer 4		1,326,393	-	-	1,326,393	9.06%	\$ 2	\$ 0	
Total		14,645,544	-	4,431,980	10,213,564	100.00%	\$ 23	\$ 2	

1    **Rate Rider Calculation for Account 1580, sub-account CBR Class A**

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

The year Account 1589 GA was last disposed

2016

The year Account 1580 CBR Class B was last disposed

2016

Note that the sub-account was established in 2015.

Did you have any customers who transitioned between Class A and Class B (transition customers) during the period the Account 1589 GA balance accumulated (i.e. from the year after the balance was last disposed (regardless of if the disposition was interim or final) to the current year requested for disposition)?

Yes

(e.g. If you received approval to dispose of the GA variance account balance as at December 31, 2015, the period the GA variance accumulated would be 2016 to 2018.)

Did you have any customers who transitioned between Class A and Class B (transition customers) during the period the Account 1580, sub-account CBR Class B balance accumulated (i.e. from the year after the balance was last disposed (regardless of if the disposition was interim or final) to the current year requested for disposition)?

Yes

(e.g. If you received approval to dispose of the CBR Class B balance as at December 31, 2016, the period the CBR Class B variance accumulated would be 2017 to 2018.)

Enter the number of transition customer you had during the period the Account 1589 GA or Account 1580 CBR B balance accumulated

4

Clear All

Transition Customers - Non-loss Adjusted Billing Determinants by Customer

Customer	Rate Class		2019		2018		2017	
			January to June	July to December	January to June	July to December	January to June	July to December
Customer 1	Intermediate - CFP	kWh					5,879,268	5,363,349
		kW					12,639	12,572
		Class A/B	A	A	A	A	B	A
Customer 2	Intermediate - RYAM	kWh			4,431,980	3,936,563		
		kW			15,877	14,658		
		Class A/B	A	A	B	A		
Customer 3	GS>50 - CFP	kWh					3,007,904	2,601,964
		kW					7,446	7,397
		Class A/B	A	A	A	A	B	A
Customer 4	GS>50 - RYAM	kWh					1,326,393	1,217,307
		kW					4,281	4,206
		Class A/B	A	A	A	A	B	A

Enter the number of rate classes in which there were customers who were Class A for the full year during the period the Account 1589 GA or Account 1580 CBR B balance accumulated (i.e. from the year after the balance was last disposed (regardless of if the disposition was interim or final) to the current year requested for disposition).

Clear All

In the table, enter i) the total Class A consumption for full year Class A customers in each rate class for each year (including any transition customers identified in table 3a above); and ii) the total forecast Class A and Class B consumption for transition customers and full year Class A customers in each rate class for the test year.

Rate Classes with Class A Customers - Billing Determinants by Rate Class		Transition Customers (Total Class A and B Consumption)		Class A Customer for Full Year (Total Class A Consumption)			
Rate Class		Test Year Forecast	Test Year Forecast	2019	2018	2017	
Intermediate	kWh	19,969,100	19,969,100	20,144,203	11,625,922		
	kW	57,468	57,468	60,194	25,556		
GS>50	kWh	23,398,367	8,291,165	8,042,752	7,979,258		
	kW	65,172	22,993	23,703	23,406		



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

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

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**Table 12 - Deferral and Variance Rate Riders<sup>18</sup>**

Please indicate the Rate Rider Recovery Period (in months) 12

**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	# of Customers	2,250	\$11,348	<b>\$0.42</b>
GENERAL SERVICE < 50 KW	kWh	10,991,463	\$5,341	<b>\$0.0005</b>
GENERAL SERVICE > 50 TO 4999 KW	<b>kW</b>	65,172	\$11,488	<b>\$0.1763</b>
INTERMEDIATE	<b>kW</b>	57,468	\$9,804	<b>\$0.1706</b>
SENTINEL	<b>kW</b>	27	\$5	<b>\$0.1767</b>
STREET LIGHTING	<b>kW</b>	1,373	\$223	<b>\$0.1622</b>
<b>Total</b>			<b>\$38,208</b>	

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

*1580 and 1588*

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance - Non-WMP	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL	# of Customers	2,250	\$0	-
GENERAL SERVICE < 50 KW	kWh	10,991,463	\$0	-
GENERAL SERVICE > 50 TO 4999 KW	<b>kW</b>	65,172	\$0	-
INTERMEDIATE	<b>kW</b>	57,468	\$0	-
SENTINEL	<b>kW</b>	27	\$0	-
STREET LIGHTING	<b>kW</b>	1,373	\$0	-
<b>Total</b>			<b>\$0</b>	

Only for rate classes with WMP customers are the Deferral/Variance Account Rate Riders for Non-WMP calculated separately in the table above. For all rate classes without WMP customers, balances in Accounts 1580 and 1588 are included in Deferral/Variance Account Rate Riders calculated in the first table above and disposed through a combined Deferral/Variance Account and Rate Rider.

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<sup>18</sup> MFR - Show relevant calculations: rationale for allocation of each account, proposed billing determinants

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

*1580, Sub-account CBR Class B*

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Sub-account 1580 CBR Class B Balance	Rate Rider for Sub-account 1580 CBR Class B
RESIDENTIAL	# of Customers	2,250	\$152	\$0.01
GENERAL SERVICE < 50 KW	kWh	10,991,463	\$71	\$0.0000
GENERAL SERVICE > 50 TO 4999 KW	kW	65,172	\$150	\$0.0023
INTERMEDIATE	kW	57,468	-\$128	\$0.0022
SENTINEL	kW	27	\$0	\$0.0023
STREET LIGHTING	kW	1,373	\$3	\$0.0021
<b>Total</b>			<b>\$248</b>	

Rate rider calculated separately only if Class A customers exist during the period the balance accumulated

**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	kWh	-	\$0	-
GENERAL SERVICE < 50 KW	kWh	-	\$0	-
GENERAL SERVICE > 50 TO 4999 KW	kWh	12,403,985	\$2,429	0.0002
INTERMEDIATE	kWh	-	\$0	-
SENTINEL	kWh	-	\$0	-
STREET LIGHTING	kWh	15,063	\$3	0.0002
<b>Total</b>			<b>\$2,432</b>	

**Rate Rider Calculation for Group 2 Accounts**

Rate Class (Enter Rate Classes in cells below)	Units	# of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL	# of Customers	2,250	-\$23,822	-\$0.88
GENERAL SERVICE < 50 KW	kWh	10,991,463	-\$6,149	-\$0.0006
GENERAL SERVICE > 50 TO 4999 KW	kW	65,172	-\$3,990	-\$0.0612
INTERMEDIATE	kW	57,468	-\$1,642	-\$0.0286
SENTINEL	kW	27	-\$64	-\$2.3530
STREET LIGHTING	kW	1,373	-\$1,725	-\$1.2562
<b>Total</b>			<b>-\$37,391</b>	

**Rate Rider Calculation for Accounts 1575 and 1576**

Please indicate the Rate Rider Recovery Period (in months) 12

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	# of Customers	2,250	\$0	-
GENERAL SERVICE < 50 KW	kWh	10,991,463	\$0	-
GENERAL SERVICE > 50 TO 4999 KW	kW	65,172	\$0	-
INTERMEDIATE	kW	57,468	\$0	-
SENTINEL	kW	27	\$0	-
STREET LIGHTING	kW	1,373	\$0	-
<b>Total</b>			<b>\$0</b>	

**Rate Rider Calculation for Accounts 1568**

Please indicate the Rate Rider Recovery Period (in months) 12

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Account 1568 Balance	Rate Rider for Account 1568
RESIDENTIAL	# of Customers	2,250	\$39,608	<b>\$1.47</b>
GENERAL SERVICE < 50 KW	kWh	10,991,463	\$14,894	<b>\$0.0014</b>
GENERAL SERVICE > 50 TO 4999 KW	kW	65,172	\$4,297	<b>\$0.0659</b>
INTERMEDIATE	kW	57,468	\$10,537	<b>\$0.1834</b>
SENTINEL	kW	27	-\$20	<b>-\$0.7404</b>
STREET LIGHTING	kW	1,373	-\$16,400	<b>-\$11.9422</b>
<b>Total</b>			<b>\$52,916</b>	

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## 9.10 GLOBAL ADJUSTMENT

### 9.10.1 GLOBAL ADJUSTMENT AND TREATMENT OF 1588/1589<sup>19</sup>

HPDCL confirms that it has fully implemented the OEB's February 21, 2019 guidance effective from January 1, 2019 and confirms that these balances have been considered in the context of the accounting guidance. Following the new accounting guidance review, and since HPDCL was seeking final disposition of accounts 1588 and 1589 as part of its latest rate application (2019-0040), it was deemed appropriate to record the required true-up since January 1, 2017. A summary of the review is provided below.

#### **Explanation of Adjustments to 1588 and 1589 Regulatory Balances**

##### **Purpose**

To document how the issue relating to the 1588 and 1589 regulatory balances was identified, assessed, and corrected.

##### **Discussion**

The OEB introduced a settlement and true up template in response to the identification of differences in the performance and recording of this process among LDCs. The template was designed to assist in ensuring consistency among LDCs, in performing the settlement and true up calculations and associated entries that primarily affect the RSVA variance accounts (1588 and 1589). HPDCL originally reperformed the monthly settlement and true up process for each month beginning in January 2018, as per the guidelines, but as part of IRM application 2019-0040, it was deemed appropriate to review the monthly settlement since January 2017 since final disposition of account 1588 and 1589 was requested.

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<sup>19</sup> MFR - Statement confirming that IESO GA charge is pro-rated into RPP and non-RPP; provide explanation if not pro-rated.

The General Manager, with the assistance of the staff at HPDCL, undertook the task of completing the review and comparison for each month. After this process was completed, a key finding was noted (note: from here on, the way in which HPDCL originally performed this settlement and true up will be referred to as the "old method" and using the OEB's February 21, 2019 accounting guidance will be referred to as the "new method"). The results identified balances accumulated in the 1588 and 1589 variance accounts which were related to true-up of Cost of Power and can be found in Table 18 below:

**Table 8 – Identified variance with old method vs new method**

<u>Month/Year</u>	<u>TOTAL</u> <u>Cost of Power</u> <u>Correction</u>
Jan-17	\$ 4,591.30
Feb-17	\$ 3,612.95
Mar-17	\$ 317.43
Apr-17	\$ 7,836.34
May-17	\$ 2,907.23
Jun-17	\$ 667.74
Jul-17	-\$ 6,012.94
Aug-17	-\$ 2,548.00
Sep-17	\$ 1,936.43
Oct-17	-\$ 73.75
Nov-17	\$ 2,118.99
Dec-17	\$ 6,240.22
Jan-18	\$ 3,777.99
Feb-18	\$ 2,339.67
Mar-18	\$ 999.12
Apr-18	-\$ 2,035.62
May-18	-\$ 4,036.08
Jun-18	-\$ 5,860.35
Jul-18	-\$ 5,495.18
Aug-18	-\$ 11,769.13
Sep-18	-\$ 8,237.05
Oct-18	\$ 4,968.68
Nov-18	\$ 6,185.67
Dec-18	\$ 7,862.11
	<b>\$ 10,293.77</b>

The differences in the power purchased variances accounts are attributed to the new method which took into account the difference between the actual cost of power paid by HPDCL to Hydro One and the IESO and the monthly HOEP and GA prices which are used in the reconciliation forms. In the OEB's February 21, 2019 accounting guidance, this process is identified as a "2<sup>nd</sup> true up" required. For HPDCL, this identified marginal differences overall but the General Manager deemed it was pertinent to record such different to maintain legitimacy with Board requirements.

The new method resulted in adjusted 1588 and 1589 variance account amounts that were smaller, and consistent with the OEB's accounting guidance.

The differences in the 1588 and 1589 accounts related to the periods of 2017 – 2018, was recorded in HPDCL's general ledger as of January 1<sup>st</sup> 2019 since the years 2017 & 2018 had since been closed to retained earnings.

This adjustment was completed and included in the 2019 audited financial statements.

#### **Conclusion**

The adjustment made in the 2019 year-end to correct the existing variance account balances was deemed to be relevant in order to proceed with final disposition of the 2017 and 2018 account 1588 and 1589 during application rate application 2019-0040.

#### **Adjustments**

Following the adjustments, the new method for settlement of account 1588 and 1589 were implemented and carried to future settlements. The revised cost of power true-up can be identified as a systemic issue but no material adjustment has been recorded as shown in Table 18 above.

9.11 Other Rate Riders including new rate riders

9.10.1 REQUEST FOR NEW VARIANCE ACCOUNT

The applicant is not requesting any new accounts or sub-accounts at this time. HPDCL 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.

<sup>20</sup> <sup>21</sup>

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<sup>20</sup> MFR - Statement as to any new accounts, and justification.

<sup>21</sup> MFR - New DVA - information provided which addresses that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order.



9.10.2 CERTIFICATION OF EVIDENCE

As General Manager. I Jessy Richard, 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 May 14, 2020 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<sup>22</sup>.

The GA Analysis Workform in live Excel format- complete GA Analysis Workform is filed with this application.<sup>23</sup>

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<sup>22</sup> 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

<sup>23</sup> MFR - GA Analysis Workform in live Excel format- complete GA Analysis Workform; explain discrepancies

1 **APPENDICES**

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n/a	

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