

# **Exhibit 9**

## **Deferral and Variance Accounts**

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1    **1.0    Deferral and Variance Accounts Overview**

2    E.L.K has included in this Cost of Service (“COS”) Application, a request for approval for  
3    disposition of Group 1 and Group 2 Deferral and Variance Account (“DVAs”) balances as at  
4    December 31, 2020 and the forecasted interest through April 30, 2022. E.L.K. has followed the  
5    Board’s guidance in the Accounting Procedures Handbook and FAQ’s (“APH”) for recording  
6    amounts in the deferral and variance accounts. Such guidance also includes the Report of the  
7    Board on Electricity Distributors’ Deferral and Variance Account Review Initiative (“EDDVAR  
8    Report”). E.L.K. further confirms that OEB guidance of February 21, 2019 on the accounting for  
9    Accounts 1588 and 1589 has been followed. E.L.K. confirms that no adjustments have been  
10   made to DVA balances previously approved by OEB on a final basis

11   Table 9-1 contains a summary of all the outstanding DVAs. E.L.K. confirms that it has used the  
12   DVAs in the same manner described in the APH, and the account balance in Table 9-1  
13   reconciles with the trial balance reported through the Electricity Reporting and Record-keeping  
14   Requirements and E.L.K.’s Audited Financial Statements. Reconciled differences are explained  
15   below.

16   E.L.K. has provided a continuity schedule of the Group 1 and Group 2 DVAs in live Excel  
17   format.

18   The forecasted interest on December 31, 2020 principal balances of the DVAs is calculated  
19   using the Board’s prescribed rate of 0.57% for the period of January 1, 2021 to April 30, 2022.  
20   The interest rates by quarter for each year are provided in Table 9-3 in this Exhibit.

21   A breakdown of energy sales and cost of power expense balances, as reported in the Audited  
22   Financial Statements by E.L.K., is provided in Table 9-2.

23   E.L.K. will continue or discontinue using the Group 2 accounts on a go-forward basis as outlined  
24   in Table 9-5 in this Exhibit.

25   E.L.K. confirms that the IESO Global Adjustment Charge is pro-rated into the Regulated Price  
26   Plan (“RPP”) and Non-RPP portions.

27

1 E.L.K. is requesting a new variance account for Incremental PILs/Income Tax in this COS  
2 application.

3 **Certification**

4 E.L.K. Energy has assessed the organization's processes and procedures and to the best of our  
5 knowledge sufficient controls have been designed and implemented to provide reasonable  
6 assurance of the accuracy, consistency and completeness of the accounts balances. This  
7 includes regular management review and yearly third party auditor review of all regulatory account  
8 balances.

9   
10 \_\_\_\_\_

Cheryl Tratechaud,  
Chief Financial Officer,  
Director Stakeholder Relations

1    **2.0    Account Balances**

2    Table 9-1 contains account balances from the 2020 Audited Financial Statements as at  
3    December 31, 2020 adjusted for errors noted as described in Section 3.0 “Explanation of  
4    Variances” and agrees to the 2020 year-end balances for Reporting and Record Keeping  
5    Requirement (“RRR”) filing E2.1.7 Trial Balance as filed April 30, 2021 with the OEB, with the  
6    exception of the accounts listed in the table. These variances are described in Section 3.0  
7    “Explanation of Variances”.

8    E.L.K. has used the DVAs in the same manner described in the APH.

1

**Table 9-1 - December 31, 2020 Audited Balances – DVAs**

<b>Table 9-1 - December 31, 2020 Adjusted Audited Balances - DVAs</b>				
<b>Account Description</b>	<b>USoA #</b>	<b>Total Principal &amp; Interest</b>	<b>2.1.7 RRR Balances (Dec 31, 2020)</b>	<b>Variance</b>
<b>Group 1 Accounts:</b>				
LV Variance Account	1550	\$ 943,007.75	\$ 945,407.82	\$ 2,400.07
Smart Metering Entity Charge Variance Account	1551	1,113.00	1,021.53	(91.47)
RSVA - Wholesale Market Service Charge	1580	(217,542.00)	(266,551.94)	(49,009.94)
Variance WMS – Sub-account CBR Class A	1580	468.00	0	(468.00)
Variance WMS – Sub-account CBR Class B	1580	(39,243.00)	0	39,243.00
RSVA - Retail Transmission Network Charge	1584	(267,815.13)	(266,086.56)	1,728.57
RSVA - Retail Transmission Connection Charge	1586	476,607.40	475,168.16	(1,439.24)
RSVA - Power (excluding Global Adjustment)	1588	(4,561,612.00)	(4,831,378.85)	(269,766.85)
RSVA - Global Adjustment	1589	1,460,508.00	1,379,679.97	(80,828.03)
Disposition and Recovery/Refund of Regulatory Balances (2009)7	1595	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2015 and pre-2015)	1595	928,586.00	0	(928,586.00)
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	(142,129.00)	0	142,129.00
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	(336,538.00)	0	336,538.00
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	97,941.00	440,940.36	342,999.36
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	0	0	0
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	0	0	0
<b>Subtotal - Group 1 Accounts</b>		<b>\$ (1,656,647.98)</b>	<b>\$ (2,121,799.51)</b>	<b>\$ (465,151.53)</b>
<b>Group 2 Accounts:</b>				
Deferred IFRS Transition Costs	1508	\$ 21,776.00	\$ (29,376.00)	\$ (51,152.00)
OEB Cost Assessments	1508	0	0	0
Pension contributions	1508	0	0	0
Late Payment Penalty	1508	0	0	0
Gain on disposition	1508	(53,988.00)	0	53,988.00
Retail Cost Variance Account - Retail	1518	(11,821.00)	(11,840.00)	(19.00)
Misc. Deferred Debits	1525	(74.00)	(74.00)	0
Retail Cost Variance Account - STR	1548	(794.00)	(793.00)	1.00
<b>Subtotal - Group 2 Accounts</b>		<b>\$ (44,901.00)</b>	<b>\$ (42,083.00)</b>	<b>\$ 2,818.00</b>
<b>Other Accounts</b>				
LRAMVA	1568	121,668.00	\$ 0	\$ (121,668)
Renewable Generation Connection Capital Deferral Account	1531	\$ 176,493.00	\$ 176,493.00	\$ 0
IFRS-CGAAP Transition PP&E Amounts Balance + Return Component	1575	0	21,601.00	21,601.00
Accounting Changes Under CGAAP Balance + Return Component	1576	17,985.00	17,984.00	(1.00)
<b>Subtotal Other Accounts</b>		<b>\$ 194,478.00</b>	<b>\$ 216,078.00</b>	<b>\$ (100,068)</b>
<b>Total</b>		<b>\$ (1,507,070.98)</b>	<b>\$ (1,947,804.51)</b>	<b>\$ (562,401.53)</b>

2

1 **3.0 Explanation of Variances To 2.1.7 RRR Balances**

2 Interest: Accounts 1550, 1580, 1584, 1586, 1588, 1589, and 1518

3 In each of the above accounts, the opening principal balance in 2015 included the closing  
4 interest balance from the previous year. This has been corrected in the accounts and the  
5 monthly interest for each of the years adjusted accordingly. This correction was done after the  
6 audit of the 2020 balances.

7 Account 1580: Wholesale Market Service Charge including the sub-accounts for CBR Class A  
8 and CBR Class B

9 One general ledger account was maintained for the wholesale market service charge and the  
10 CBR for Class A and B prior to 2019. Separate accounts were maintained after 2019 but the  
11 opening balances for the CBR Class A & B were zero. The DVA Continuity schedule has been  
12 updated to provide the breakdown for each for each year.

13 Account 1595: Disposition and Recovery/Refund of Regulatory Balances - \$114,518

14 Prior to 2016, separate sub-accounts were not maintained to track each year's disposition.  
15 Adjustments have been made to move dispositions and rate riders to the appropriate sub-  
16 account relating to the relevant year's disposition. These adjustments offset one another within  
17 the group of sub-accounts for account 1595 with a minor difference of \$7,598 which has been  
18 written off. In addition, no interest was recorded in the general ledger for these accounts.  
19 Interest totaling \$114,518 has been adjusted in the continuity schedule and was done after the  
20 audit of the 2020 financial statements.

21 Account 1508: Other Regulatory Assets - Sub-Account - Deferred IFRS Transition Costs and  
22 Account 1575: IFRS-CGAAP Transition PP&E Amounts Balance + Return Component –  
23 Offsetting amount of \$21,601

24 The amount of \$21,601 recorded in account 1575 in the 2.1.7 balances should have been  
25 recorded in the reference sub-account for 1508.

1 Account 1508: Other Regulatory Assets – Sub-Account – Other (OEB Cost Assessments,  
2 Pension Contributions, Late payment Penalty)

3 The balances in these accounts were fully disposed in 2014 but were not moved to the relevant  
4 Account 1595. These balances have been moved to account 1595 now.

5 Account 1531: Renewable Generation Connection Capital Deferral Account - (\$176,493)

6 The \$176,493 in account 1531 is not included for disposition through a rate rider. This balance  
7 will be incorporated into rate base as part of the update of this application for year-end 2021  
8 actual results. It is expected that this will take place during the interrogatory phase of this  
9 proceeding.

10 Account 1568: LRAM Variance Account - \$121,668

11 The amount recorded in account 1568 in the 2.1.7 balances of zero did not account for the  
12 LRAM variance account claim outlined in the LRAMVA Work form.



1 **4.0 Energy Sales and Cost of Power**

2 The sale of energy is a flow through revenue and the cost of power is a flow through expense.  
3 Energy sales and the cost of power expense by component are presented in Table 9-2 as  
4 reported in the Audited Financial Statements and the USoA within the RRR filing 2.1.7. E.L.K.  
5 has no profit or loss resulting from the flow through of energy revenues and expenses.

6 **Table 9-2 – Energy Revenue and Cost of Power Expenses**

<b>Account Description</b>	<b>USoA #</b>	<b>2018 Actual</b>	<b>2019 Actual</b>	<b>2020 Actual</b>
<b>ENERGY REVENUE:</b>				
Residential Energy Sales	4,006	(10,665,370)	(10,655,528)	(17,548,675)
Commercial Energy Sales	4,010	(15,145,620)	(16,281,850)	(15,252,624)
Revenue Adjustment	4,050	1,219,265	1,346,402	795,484
Wholesale Market Service Charges	4,062	(976,547)	(908,409)	(850,296)
Network	4,066	(1,805,455)	(1,754,240)	(1,818,143)
Connection	4,068	(1,297,135)	(1,462,931)	(1,346,924)
Low Voltage	4,075	(312,716)	(321,333)	(279,559)
Smart Meter Entity Charge	4,076	(77,803)	(79,063)	(84,103)
<b>TOTAL ENERGY REVENUE</b>		<b>(29,061,381)</b>	<b>(30,116,952)</b>	<b>(36,384,840)</b>
<b>COST OF PWER EXPENSES:</b>				
Power Purchased	4,705	24,600,844	26,385,260	32,006,132
Wholesale Market Service	4,708	976,548	-	850,224
Cost of Power Adjustments	4,710	-	-	-
Network	4,714	1,805,453	1,754,240	1,818,143
Connection	4,716	1,297,133	1,462,931	1,346,924
Other Expenses	4,720	-	114,337	-
Rural Rate Assisstance Exense	4,730	-	-	-
LV Charges	4,750	312,716	321,209	279,559
Smart Meter Entity Charge Total	4,751	77,802	79,063	84,103
<b>TOTAL COST OF POWER EXPENSES</b>		<b>29,070,496</b>	<b>30,117,040</b>	<b>36,385,085</b>
<b>NET INCOME</b>		<b>9,115</b>	<b>88</b>	<b>245</b>

7

1 **5.0 Interest Rates Applied**

2 E.L.K. has used the Board's prescribed interest rates when calculating carrying charges on the  
3 DVA balances. Table 9-3 below shows the Board's prescribed interest rates starting from 2011  
4 Q1 onward. Interest is calculated based on the opening monthly principal balances.

5 In accordance with the filing requirements, the most recent posted interest rate (0.57% for Q4  
6 2021) has been used to forecast carrying charges to April 30, 2022. The interest component for  
7 DVA balances is included in the principal balance for each account.

1

**Table 9-3 - Interest Rates Applied to Deferral and Variance Accounts**

<b>Period</b>	<b>Interest rate</b>
Q1 2014	1.47
Q2 2014	1.47
Q3 2014	1.47
Q4 2014	1.47
Q1 2015	1.47
Q2 2015	1.10
Q3 2015	1.10
Q4 2015	1.10
Q1 2016	1.10
Q2 2016	1.10
Q3 2016	1.10
Q4 2016	1.10
Q1 2017	1.10
Q2 2017	1.10
Q3 2017	1.10
Q4 2017	1.50
Q1 2018	1.50
Q2 2018	1.89
Q3 2018	1.89
Q4 2018	2.17
Q1 2019	2.45
Q2 2019	2.18
Q3 2019	2.18
Q4 2019	2.18
Q1 2020	2.18
Q2 2020	2.18
Q3 2020	0.57
Q4 2020	0.57
Q1 2021	0.57
Q2 2021	0.57
Q3 2021	0.57
Q4 2021	0.57
Q1 2022	0.57

2

1 **6.0 Proposed Disposition**

2 E.L.K. is requesting a net disposition of \$473,901 to be paid to customers, based on the 2020  
3 year-end balances (excluding accounts 1588 and 1589 which are 2015 principal balances with  
4 interest to 2022) less the amounts approved through the 2021 IRM process (EB-2020-0014).  
5 Details of each account disposition request are discussed in detail in the evidence that follows.  
6 All DVAs in Table 9-4 are requested for disposition over 24 months to mitigate large rate  
7 increases after the negative rate riders expire.

8 **Table 9-4 – Proposed Disposition**

Account Description	USoA #	Total Principal & Interest (Dec 31, 2020)	2021 Disposition	Interest to April 30, 2022	Total Claim
<b>Group 1 Accounts:</b>					
LV Variance Account	1550	\$ 943,008	\$ 419,817	\$ 4,908	\$ 528,099
Smart Metering Entity Charge Variance Account	1551	1,113	3,636	(11)	(2,534)
RSVA - Wholesale Market Service Charge	1580	(217,542)	(88,982)	(1,228)	(129,788)
Variance WMS – Sub-account CBR Class B	1580	(39,243)	(9,768)	(236)	(29,711)
RSVA - Retail Transmission Network Charge	1584	(267,815)	(98,942)	(1,549)	(170,422)
RSVA - Retail Transmission Connection Charge	1586	476,607	113,037	3,014	366,584
RSVA - Power (excluding Global Adjustment)	1588	(996,477)	-	(6,130)	(1,002,607)
RSVA - Global Adjustment	1589	353,054	-	1,536	354,590
Disposition and Recovery/Refund of Regulatory Balances (2016)	1595	(142,129)	-	(1,100)	(143,229)
Disposition and Recovery/Refund of Regulatory Balances (2017)	1595	(336,538)	-	(2,624)	(339,162)
<b>Subtotal - Group 1 Accounts</b>		<b>\$ (225,962)</b>	<b>\$ 338,798</b>	<b>\$ (3,420)</b>	<b>\$ (568,180)</b>
<b>Group 2 Accounts:</b>					
Deferred IFRS Transition Costs	1508	21,776	-	-	21,776
Gain on disposition	1508	(53,988)	-	(381)	(54,369)
Retail Cost Variance Account - Retail	1518	(11,821)	-	(87)	(11,908)
Misc. Deferred Debits	1525	(74)	-	-	(74)
Retail Cost Variance Account - STR	1548	(794)	-	(5)	(799)
<b>Subtotal - Group 2 Accounts</b>		<b>\$ (44,901)</b>	<b>\$ -</b>	<b>\$ (473)</b>	<b>\$ (45,374)</b>
<b>LRAM Variance Account</b>	1568	\$ 120,850	\$ -	818	\$ 121,668
<b>Other Accounts</b>					
Accounting Changes Under CGAAP Balance + Return Component	1576	17,985	-	-	17,985
<b>Subtotal Other Accounts</b>		<b>\$ 17,985</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,985</b>
<b>Total</b>		<b>\$ (252,878)</b>	<b>\$ 338,798</b>	<b>\$ (3,893)</b>	<b>\$ (473,901)</b>

1 **7.0 Group One Account Analysis**

2 E.L.K. last disposed of Group One account balances excluding accounts 1588, 1589 and 1595  
3 in its 2018 IRM Rate Application (EB-2017-0036) on a final basis. The Group One account  
4 balances excluding accounts 1588, 1589 and 1595 were disposed on an interim basis in each of  
5 the 2019, 2020 and 2021 IRM Rate Applications (EB-2018-0027, EB-2019-0029 and EB-2020-  
6 0014). Accounts 1588 and 1589 were last disposed on a final basis in the 2014 IRM Rate  
7 Application (EB-2013-0123).

8 The following sections provide details of the Group One accounts utilized by E.L.K. and the  
9 respective disposition requests.

10 **Account 1550: LV Variance Account**

11 This account is used to record the difference between the low voltage charges billed to E.L.K.  
12 customers and the charges paid to Hydro One for low voltage service. E.L.K. uses the accrual  
13 method. The Board prescribed interest rates are used to calculate the carrying charges.

14 E.L.K. requests disposition of Account 1550 for the amount of \$528,099 to be collected from  
15 customers, including interest to April 30, 2022.

16 **Account 1551: Smart Metering Entity Charge Variance Account**

17 This account is used to record the difference between the Smart Meter Entity amounts billed to  
18 E.L.K. customers and the charges paid to the IESO. E.L.K. uses the accrual method. The Board  
19 prescribed interest rates are used to calculate the carrying charges.

20 E.L.K. requests disposition of Account 1551 for the amount of \$2,534 as a refund to customers,  
21 including interest to April 30, 2022.

22 **Account 1580: RSVA - Wholesale Market Service Charge**

23 This account is used to record the difference between the amounts charged by the IESO for  
24 wholesale market services and the amount billed to E.L.K. customers using the Board Approved  
25 rates. E.L.K. uses the accrual method. The Board prescribed interest rates are used to calculate  
26 the carrying charges. This account has been split into its sub-accounts for CBR Class B.

1 E.L.K. requests disposition of Account 1580 for the amount of \$129,788 as a refund to  
2 customers, including interest to April 30, 2022 and disposition of Account 1580 sub-account  
3 CBR Class B in the amount of \$29,711 as a refund to customers, including interest to April 30,  
4 2022.

5 **Account 1584: RSVA - Retail Transmission Network Charge**

6 This account is used to record the net of the amount charged by the IESO, based on the  
7 settlement invoice for transmission network services, and the amount billed to customers using  
8 the OEB-approved Retail Transmission Rate for network services. E.L.K. uses the accrual  
9 method. The Board prescribed interest rates are used to calculate the carrying charges.

10 E.L.K. requests disposition of Account 1584 for the amount of \$170,422 as a refund to  
11 customers, including interest to April 30, 2022.

12 **Account 1586: RSVA - Retail Transmission Connection Charge**

13 This account is used to record the net of the amount charged by the IESO, based on the  
14 settlement invoice for transmission connection services, and the amount billed to customers  
15 using the OEB-approved Retail Transmission Rate for connection services. E.L.K. uses the  
16 accrual method. The Board prescribed interest rates are used to calculate the carrying charges.

17 E.L.K. requests disposition of Account 1586 for the amount of \$366,584 to be collected from  
18 customers, including interest to April 30, 2022.

19 **Account 1588: RSVA - Power (excluding Global Adjustment)**

20 This account is used to recover the net difference between the energy amount billed to  
21 customers and the energy charged to E.L.K. using the settlement invoice from the IESO. E.L.K.  
22 uses the accrual method. The Board prescribed interest rates are used to calculate the carrying  
23 charges.

24 E.L.K. requests disposition of Account 1588 for the amount of \$1,002,607 as a refund to  
25 customers, including interest to April 30, 2022. It is noted that balances related to 2016 onward  
26 are not being requested for disposition at this time.

1 **Account 1589: RSVA - Global Adjustment**

2 This account is used to recover the net difference between the provincial benefit amount billed  
3 to non-RPP customers and the GA adjustment charge to E.L.K. using the settlement invoice  
4 from the IESO. E.L.K. uses the accrual method.

5 The Board prescribed interest rates are used to calculate the carrying charges.

6 E.L.K. requests disposition of Account 1589 for the amount of \$354,490 to be collected from  
7 non-RPP customers, including interest to April 30, 2022. It is noted that balances related to  
8 2016 onward are not being requested for disposition at this time.

9

10 **Account 1595: Disposition and Recovery/Refund of Regulatory Balances**

11 This account includes the regulatory asset or liability balances authorized by the Board for  
12 recovery in rates or payments/credits made to customers. Separate sub-accounts are  
13 maintained for expenses, interest, and recovery amounts for each Board-approved recovery.

14 The amount requested for disposition below relates to residual balances from rate riders that  
15 concluded in 2020 or prior years.

16 E.L.K. requests disposition of Account 1595 for the amount of \$143,229 as a refund to  
17 customers, including interest to April 30, 2022 for the sub-account for the 2016 disposition and  
18 \$339,162 as a refund to customers, including interest to April 30, 2022 for the sub-account for  
19 the 2017 disposition.

1 **8.0 Group Two Account Analysis**

2 The group 2 accounts include the deferred IFRS Transition Costs, Gain on Disposition, Retail  
3 Cost Variance accounts and the Accounting Changes Under CGAAP Balance, all of which have  
4 been accumulating for a number of years. E.L.K. requests disposition of these Group 2  
5 accounts totaling \$45,374 as a refund to customers, including interest to April 30, 2022.

6 **Account 1508: Deferred IFRS Transition Costs**

7 This sub-account includes the incremental costs related to the transition to IFRS. E.L.K.  
8 requests disposition of Account 1508 sub-account Deferred IFRS Transition Costs in the  
9 amount of \$21,776 to be collected from customers.

10 **Account 1508: Gain on Disposition**

11 This sub-account includes the gain on the settlement of Kingsville as directed by the OEB in EB-  
12 2011-0099. E.L.K. requests disposition of Account 1508 sub-account Gain on Disposition in the  
13 amount of \$54,369, as a refund to customers, including interest to April 30, 2022.

14 **Account 1518: Retail Cost Variance Account – Retail**

15 This account records the net of the revenue and costs relating to entering in service agreements  
16 and related contract administration and monitoring arising from Retailer-Consolidated Billing  
17 including accruals. E.L.K. requests disposition of Account 1518 in the amount of \$11,908, as a  
18 refund to customers, including interest to April 30, 2022.

19 **Account 1525: Misc. Deferred Debits**

20 This account is used for debits not included elsewhere. The balance is a minor one and  
21 accordingly, E.L.K. requests disposition of account 1525 in the amount of \$74, as a refund to  
22 customers.



1 **Account 1531: Renewable Generation Connection Capital Deferral Account**

2 This account is not being requested for disposition through a rate rider. This balance will be  
3 incorporated into rate base as part of the update of this application for year-end 2021 actual  
4 results.

5 **Account 1548: Retail Cost Variance Account – STR**

6 This account records the net of the revenue and costs associated with Service Transaction  
7 Request services. E.L.K. requests disposition of Account 1548 in the amount of \$799, as a  
8 refund to customers, including interest to April 30, 2022.

9 **Account 1576: Accounting Changes Under CGAAP Balance + Return Component**

10 This account includes the changes to depreciation expense and capitalization policies as  
11 required by the Board in 2013. E.L.K. requests disposition of Account 1576 in the amount of  
12 \$17,985, to be collected from customers.

13 **Account 1568: LRAM Variance Account**

14 This account includes the lost revenue adjustment mechanism (“LRAM”) variances in relation to  
15 the conservation and demand management (“CDM”) programs or activities undertaken by  
16 E.L.K. in accordance with OEB prescribed requirements. The details of this claim are outlined  
17 the Exhibit 4, Tab 11. E.L.K. requests disposition of Account 1568 for the amount of \$121,668 to  
18 be collected from customers, including interest to April 30, 2022.

19 **GROUP 2 ACCOUNTS – TO BE CONTINUED AND DISCONTINUED ON A GO-FORWARD**  
20 **BASIS**

21 **Table 9-5** below lists all Group 2 accounts which E.L.K. will continue and discontinue on a  
22 going-forward basis.

23 Explanations for those accounts that will be discontinued are provided in Table 9-5.

1

**Table 9-5 - Group 2 Accounts - Continue & Discontinue**

2

Account Description	USoA #	Continue / Discontinue	Explanation
Group 2 Accounts - Continue:			
Retail Cost Variance Account - Retail	1518	Continue	On-going use
Misc. Deferred Debits	1525	Continue	On-going use
Retail Cost Variance Account - STR	1548	Continue	On-going use
Group 2 Accounts - Discontinue			
Gain on disposition	1508	Discontinue	No longer needed
Deferred IFRS Transition Costs	1508	Discontinue	No longer needed

1 **9.0 Calculation of Rate Riders**

2 For the calculation of proposed rate riders, E.L.K. has utilized the billing determinants arising  
3 from the 2022 Load Forecast inclusive of CDM Adjustments, as presented in Table 9-6 below.  
4 For more details regarding the 2022 Load Forecast and billing determinants please see Exhibit  
5 3.

6 **Table 9-6 Total Billing Determinants**

Rate Class	Customer Numbers	kWh	kW
Residential	10,981	93,507,179	
General Service < 50 kW	1,257	27,656,663	
General Service > 50 kW	98	59,482,525	199,000
Street Lights	3,106	1,308,977	3,787
Unmetered Loads	32	248,217	
Sentinel Lights	17	141,998	373
Embedded Distributor	6	57,735,484	138,872
<b>Total</b>	<b>15,497</b>	<b>240,081,043</b>	<b>342,032</b>

7

8 In accordance with the OEB's Filing Requirements it is stated that:

9 ... distributors must establish separate rate riders to recover the balances in the RSVAs  
10 from Market Participants ("MPs") who must not be allocated the RSVA account balances  
11 related to charges for which the MPs settle directly with the IESO"; and,

12 "Distributors who serve Class A customers per O. Reg 429/04 (i.e. customers greater  
13 than 5 MW) must propose an appropriate allocation for the recovery of the global  
14 adjustment variance balance based on their settlement process with the IESO."

15 As of December 31, 2020, the E.L.K. customers affected by these requirements is described as  
16 follows:

- 17 • No market participants settle directly with the IESO, therefore, no separate rate riders to  
18 recover RSVAs is required, and
- 19 • The one customer in the Embedded Distributor rate class is treated in the same manner  
20 as a Class A customer

- As of February 4, 2022, E.L.K. notes the Embedded Distributor customer has remain as a Class A customer. Since the DVA balances proposed for disposition relate to variances created prior to December 31, 2015, E.L.K. proposes the rate riders be applicable to the customers who contributed to those variances. In this case, this customer was a Class A customer before December 31, 2015 and they did not contribute to the variance in account 1589 thus, there is no requirement to dispose of variances created prior to December 31, 2015.

For Class A customers, E.L.K. settles the GA based on the actual GA rate. In contrast, for Class B Non-RPP customers, E.L.K. settles GA based on the First Estimate GA rate. Accordingly, E.L.K.'s Class A customer has not and will not contribute to the creation of Account 1589 variances and should be excluded from its disposition.

**Table 9-7 Billing Determinants for GA Rate Rider**

Rate Class	2020 % Non-RPP	2022 kWh Non-RPP less Class A
Residential	2%	1,870,144
General Service < 50 kW	13%	3,595,366
General Service > 50 kW	96%	39,810,042
Street Lights	100%	1,308,977
Unmetered Loads	100%	248,217
Sentinel Lights	100%	141,998
Embedded Distributor		
<b>Total</b>		<b>46,974,744</b>

The billing determinants used to develop the various rate riders are presented in 9-8 below.

**Table 9-8 2022 Detailed Load Forecast Billing Determinants for Disposition Calculations**

Rate Class	Customer Numbers	kWh	kW	2022 kWh Non-RPP less Class A
Residential	10,981	93,507,179		1,870,144
General Service < 50 kW	1,257	27,656,663		3,595,366
General Service > 50 kW	98	59,482,525	199,000	39,810,042
Street Lights	3,106	1,308,977	3,787	1,308,977
Unmetered Loads	32	248,217		248,217
Sentinel Lights	17	141,998	373	141,998
Embedded Distributor	6	57,735,484	138,872	
<b>Total</b>	<b>15,497</b>	<b>240,081,043</b>	<b>342,032</b>	<b>46,974,744</b>

1 **10.0 Proposed Rate Riders**

2 Consistent with the DVA Continuity Schedule model provided by the OEB, E.L.K. has calculated  
 3 the following rate riders:

- 4 • Rate Rider Calculation for Group One Deferral / Variance Accounts Balances (excluding  
 5 Global Adj.)
- 6 • Rate Rider Calculation for Account 1580, subaccount CBR Class B
- 7 • Rate Rider Calculation for RSVA - Power - Global Adjustment
- 8 • Rate Rider Calculation for Group 2 Accounts
- 9 • Rate Rider Calculation for Accounts 1575 and 1576
- 10 • Rate Rider Calculation for Account 1568

11 Each calculation and results will be discussed in the sections below.

12 **10.1 Rate Rider Calculation for Group One Deferral / Variance Accounts**  
 13 **Balances (excluding Global Adj.)**

14 **Table 9-9 Rate Rider Calculation for Group One Deferral / Variance Accounts Balances**  
 15 **(excluding Global Adj.)**

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	kWh	93,507,179	-\$382,893	-0.0020
GENERAL SERVICE LESS THAN 50 KW	kWh	27,656,663	-\$98,980	-0.0018
GENERAL SERVICE 50 TO 4,999 KW	<b>kW</b>	199,000	-\$238,100	-0.5982
UNMETERED SCATTERED LOAD	kWh	248,217	-\$859	-0.0017
SENTINEL LIGHTING	<b>kW</b>	373	-\$671	-0.8988
STREET LIGHTING	<b>kW</b>	3,787	-\$5,180	-0.6839
EMBEDDED DISTRIBUTOR	<b>kW</b>	138,872	-\$166,378	-0.5990
<b>Total</b>			<b>-\$893,060</b>	

16 The rate riders reflect disposition over 24 months.

1 **10.2 Rate Rider Calculation for Account 1580, sub-account CBR Class B**

2 **Table 9-10 Rate Rider Calculation for Account 1580, sub-account CBR Class B**

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	kWh	93,507,179	-\$11,572	-0.0001
GENERAL SERVICE LESS THAN 50 KW	kWh	27,656,663	-\$3,423	-0.0001
GENERAL SERVICE 50 TO 4,999 KW	<b>kW</b>	199,000	-\$7,361	-0.0185
UNMETERED SCATTERED LOAD	kWh	248,217	-\$31	-0.0001
SENTINEL LIGHTING	<b>kW</b>	373	-\$18	-0.0236
STREET LIGHTING	<b>kW</b>	3,787	-\$162	-0.0214
EMBEDDED DISTRIBUTOR	<b>kW</b>	138,872	-\$7,145	-0.0257
<b>Total</b>			<b>-\$29,711</b>	

3 Rate riders reflect disposition over 24 months.

4 **10.3 Rate Rider Calculation for RSVA - Power - Global Adjustment**

5 **Table 9-11 Rate Rider Calculation for RSVA - Power - Global Adjustment**

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	kWh	1,870,144	\$6,291	<b>0.0017</b>
GENERAL SERVICE LESS THAN 50 KW	kWh	3,595,366	\$12,095	<b>0.0017</b>
GENERAL SERVICE 50 TO 4,999 KW	kWh	40,501,770	\$136,255	<b>0.0017</b>
UNMETERED SCATTERED LOAD	kWh	248,217	\$835	<b>0.0017</b>
SENTINEL LIGHTING	kWh	141,998	\$478	<b>0.0017</b>
STREET LIGHTING	kWh	1,308,977	\$4,404	<b>0.0017</b>
EMBEDDED DISTRIBUTOR	kWh	57,735,484	\$194,232	<b>0.0017</b>
<b>Total</b>			<b>\$354,590</b>	

6 The rate riders reflect disposition over 24 months.

1 **10.4 Rate Rider Calculation for Group 2 Accounts**

2 **Table 9-12 Rate Rider Calculation for Group 2 Accounts**

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	10,981	-\$21,727	-\$0.08
GENERAL SERVICE LESS THAN 50 KW	kWh	27,656,663	-\$4,794	-\$0.0001
GENERAL SERVICE 50 TO 4,999 KW	<b>kW</b>	199,000	-\$8,174	-\$0.0205
UNMETERED SCATTERED LOAD	kWh	248,217	-\$60	-\$0.0001
SENTINEL LIGHTING	<b>kW</b>	373	-\$33	-\$0.0446
STREET LIGHTING	<b>kW</b>	3,787	-\$2,725	-\$0.3598
EMBEDDED DISTRIBUTOR	<b>kW</b>	138,872	-\$7,861	-\$0.0283
<b>Total</b>			<b>-\$45,374</b>	

3 Rate riders reflect disposition over 24 months.

4 **10.5 Rate Rider Calculation for Accounts 1575 and 1576**

5 **Table 9-13 Rate Rider Calculation for Accounts 1575 and 1576**

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	10,981	\$7,005	0.0266
GENERAL SERVICE LESS THAN 50 KW	kWh	27,656,663	\$2,072	0.0000
GENERAL SERVICE 50 TO 4,999 KW	<b>kW</b>	199,000	\$4,456	0.0112
UNMETERED SCATTERED LOAD	kWh	248,217	\$19	0.0000
SENTINEL LIGHTING	<b>kW</b>	373	\$11	0.0143
STREET LIGHTING	<b>kW</b>	3,787	\$98	0.0129
EMBEDDED DISTRIBUTOR	<b>kW</b>	138,872	\$4,325	0.0156
<b>Total</b>			<b>\$17,985</b>	

6 Rate riders reflect disposition over 24 months.

1 **10.6 Rate Rider Calculation for Account 1568**

2 **Table 9-14 Rate Rider Calculation for LRAMVA**

Rate Classification	Total Lost Revenues	Total Interest	Total LRAM	Billing Determinant	Forecast kWh/kW	Proposed Rate Rider
Residential	\$59,784	\$3,932	\$63,716	kWh	93,507,179	\$0.0007
General Service < 50 kW	\$33,774	\$1,549	\$35,323	kWh	27,656,663	\$0.0013
General Service > 50 kW	\$25,997	\$1,180	\$27,178	kW	199,000	\$0.1366
Street Lights	(\$2,955)	(\$140)	(\$3,096)	kW	3,787	(\$0.8174)
Sentinel Lights	(\$1,372)	(\$65)	(\$1,438)	kWh	373	(\$3.8507)
Unmetered Loads	(\$15)	(\$1)	(\$16)	kW	248,217	(\$0.0001)
Embedded Distributor	\$0	\$0	\$0	kW		
<b>Total LRAM Claim</b>	<b>\$115,212</b>	<b>\$6,455</b>	<b>\$121,668</b>			

3 Detailed calculations are provided in Exhibit 4, Tab 11. Rate riders reflect disposition over 24  
 4 months.



1 **11.0 IESO Settlement Process**

2 **11.1 Global Adjustment**

3 On a monthly basis, E.L.K. settles with the IESO for GA. GA is applicable to all customers who  
4 pay the Hourly Ontario Energy Price (“HOEP”), or have signed a retail contract, and accounts for  
5 the differences between the market price and the rates paid to regulated and contracted  
6 generators and for CDM programs.

7 The GA varies from month to month, responding to changes in both the HOEP and contract  
8 terms. Generally speaking, when the HOEP is lower, then the GA is higher in order to cover the  
9 additional costs.

10 E.L.K. confirms that the GA charge is pro-rated between RPP and non-RPP customers.

11 **11.2 Class A Customers**

12 Class A customers were traditionally defined as customers with a peak demand of 5 MW or  
13 more. Customers who participate in the ICI, pay global adjustment (GA) based on their  
14 percentage contribution to the top five peak Ontario demand hours over a 12-month period.  
15 Customers participating in this initiative are referred to as Class A.

16 The GA for Class A customers is based on their percentage contribution to the top five peak  
17 Ontario demand hours. Hence, it is designed to encourage these users to shift their energy use  
18 away from system-wide peaks. The IESO monthly GA Class A charges are passed on directly  
19 to each Class A customer. Accordingly, E.L.K.’s Class A customer does not contribute to the  
20 creation of Account 1589 variances and are excluded from disposition calculation.

21 The one customer in the Embedded Distributor rate class is treated in the same matter as a  
22 Class A customer.

23 **11.3 Class B Customers**

24 Class B customers include: (a) customers with a peak demand below 5MW (or who have opted  
25 into this category) and (b) residential and business customers who have a retail contract for

1 electricity. As of December 31, 2021, the majority of E.L.K.'s large volume customers were  
2 included in Class B.

### 3 **11.4 IESO Reporting Process**

4 E.L.K. settles with the IESO for the estimated difference between spot and RPP pricing, for RPP  
5 customers within four business days of month end.

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

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

15 Total RPP consumption is then calculated by adding the consumption of customers on  
16 conventional meters to the time of use customer consumption.

17 E.L.K. notes that its process for providing consumption (kWh) estimates to the IESO contains  
18 some inherent assumptions, in part due to data timing and data limitations.

19 E.L.K. uses the IESO reconciliation as the basis for its quarterly accounting accrual journal  
20 entries and subsequently reverses these accruals and records the actual IESO invoice when it  
21 is received.

### 22 **11.5 The True-up Process**

23 As described above, E.L.K. reconciles the estimates of RPP and Non-RPP consumption to  
24 actuals on a quarterly basis.

25 The total volume is determined by taking the actual kWh volume purchased from the IESO plus  
26 any embedded generation volume and less any Class A volume, to determine the total actual

- 1 volume to be split between RPP and Non-RPP. An IT system query is run, which identifies
- 2 monthly consumption for Non-RPP customers, with the difference being RPP volume.
  
- 3 The RPP volume is multiplied by the actual GA rate to determine the GA allocated to RPP
- 4 customers and is netted against the estimate that was either paid to or received from the IESO
- 5 on a monthly basis. This difference is then settled with the IESO on a quarterly basis.
  
- 6 Embedded generation is taken into consideration with determining the total power purchases for
- 7 the month.

1 **12.0 Request for New Variance Account**

2 E.L.K. is requesting approval to establish a new variance account in order to record any  
3 PILs/Income tax amounts that are payable after the 2022 Test Year. In the 2022 Test Year,  
4 PILs/Income Tax has been calculated as a negative amount (Exhibit 4, Tab 1, Section 5) and  
5 included as \$0 in the Revenue Requirement Workform (Exhibit 3, Tab 1, Section 1). This Cost  
6 of Service application establishes customer rates that will be mechanically adjusted for  
7 inflation (less a stretch factor) for the four years subsequent to the 2022 Test Year. As such,  
8 having \$0 funding for PILs/Income Tax in the Test Year revenue requirement will result in E.L.K.  
9 not receiving any revenue (through rates) to recover the cost of any future statutory  
10 PILs/Income Tax amounts paid.

11 As PILs/Income Taxes are non-discretionary, E.L.K. is requesting approval for a variance  
12 account to track the cost of any future PILS/Income Taxes it is required to pay beyond the Test  
13 Year. This account will attract interest at the OEB prescribed rate, will be reported as part of the  
14 annual RRR reporting process and will be brought forward for disposition as part of E.L.K.'s next  
15 Cost of Service Application. A Draft Accounting Order is provided as Exhibit 9, Tab 12,  
16 Attachment 1 in support of this request.

**Attachment 1**

**DRAFT ACCOUNTING ORDER –  
Incremental PILs/Income Tax Variance Account**

1. This account will record any incremental PILs/Income Taxes amounts payable by E.L.K. Energy in the rate year after year the Cost of Service rate re-set up until the effective date that rates are next adjusted through a Cost of Service application.
2. The effective date of this account is May 1, 2023, and the end date is expected to be April 30, 2027.
3. The account will accrue interest at the OEB-prescribed interest rate. Simple interest will be calculated based on the opening monthly balance of the account.
4. E.L.K. Energy proposes the disposition of this account as part of its next Cost of Service proceeding
5. The following are the proposed accounting entries for this deferral account:

*If there is PILs/Income Tax payable in a given year (other than the Test Year):*

<i>USofA #</i>	<i>Account Description</i>
Dr: 1592	PILs and Tax Variance for 2006 and Subsequent Years - Sub-account: Incremental PILs/Income Tax Recoverable - Principal
Cr: 4080	Distribution Services Revenue
	- <i>to record PILS/Income Taxes recoverable</i>

<i>USofA #</i>	<i>Account Description</i>
Dr: 1592	PILs and Tax Variance for 2006 and Subsequent Years - Sub-account: Incremental PILs/Income Tax Recoverable - Interest
Cr: 6035	Other Interest Expense
	- <i>to record interest on the principal balance of the deferral account.</i>