EXHIBIT 9

DEFERRAL AND VARIANCE ACCOUNTS

PUC Distribution Inc • EB-2022-0059 • Filed: August 31,2022

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EXHIBIT 9: DEFERRAL AND VARIANCE ACCOUNTS

9.1. DEFERRAL AND VARIANCE ACCOUNTS OVERVIEW

PUC Distribution Inc. ("PUC") has included in this Application, a request for approval for disposition of Group 1, Group 2 Deferral and Variance Account ("DVAs") and Uniform System of Accounts ("USoA") Account 1568 Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA") balances as at December 31, 2021 and the forecasted interest through April 30, 2023. PUC has followed the Board's guidance in the *Accounting Procedures Handbook and FAQ's* ("APH") and related documents, and the Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative ("EDDVAR Report"). PUC confirms that no adjustments have been made to DVA balances previously approved by the OEB on a final basis.

Table 9-1 provides a list of all the outstanding DVAs as at December 31, 2021. Table 9-2 provides a list of all outstanding DVAs being proposed for disposal, including forecasted principal, and carrying costs to April 30, 2023.

The balances in 1508 sub-accounts related to Incremental Capital Module ("ICM") applications submitted for Substation 16 ("Sub 16") and Sault Smart Grid ("SSG") projects will be moved to rate base in 2023. PUC is not requesting disposition of any residual balances in the 1508 Sub Accounts for Rate Riders collected from customers.

PUC confirms that it has used the DVAs in the same manner described in the APH. The Group 1 DVA balances presented in Table 9-1 reconcile with amounts on PUC's trial balance reported through the Electricity Reporting and Record-keeping Requirements ("RRR") and PUC's Audited Financial Statements. In addition, carrying charges are forecasted to April 30, 2023. The Group 2 DVAs are based on the December 31, 2021 audited balances, plus a forecast for the net principal transactions and carrying costs to April 30, 2023.

DVA Continuity Schedule

PUC has provided a continuity schedule of the Group 1 and Group 2 DVAs and LRAMVA in the live Excel format model named "2023_DVA_Continuity_Schedule_CoS" ("Model"). PUC has accepted the allocators as indicated in the EDDVAR Report. PUC accepts that it has relied on the default approach used by the 2023 DVA Continuity Schedule model including the customer class allocation rationale for each DVA account, the default proposed billing determinants including a charge type (fixed or variable) for recovery purposes, and the calculations of the rate riders. PUC confirms that it used the load data included in the Load Forecast section of the Application in the Model to calculate the DVA disposition rate riders.

Energy Sales & Cost of Power Balances

A breakdown of energy sales and cost of power expense balances, as reported in the Audited Financial Statements by PUC, is provided in Table 9-4. There are no differences between the reported energy sales and cost of power expenses.

Accounts not Requested for Disposition

PUC is not requesting to dispose of the residual balances in Account 1508 – ICM Substation 16 and Account 1508 – ICM SSG. PUC has followed the OEB Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module (EB-2014-0219), released September 14, 2014 (the "ACM Report"). This section indicates the OEB will review the differences between actual ICM costs and amounts collected by the distributor, and determine at that time, based on materiality, whether any adjustment should be refunded or recovered by the distributor's rate payers. PUC has calculated the impact on account 1508 based on the approved incremental revenue requirement on actual spending and depreciation of the Sub 16 and SSG projects. These calculations resulted in non-material variances and therefore no disposal amounts are being requested. The details are provided in Exhibit 2, Section 2.8.1 and 2.8.2.

Carrying Charges

The forecasted interest on December 31, 2023 DVA balances is calculated using the Board's prescribed rate of 0.57% for the period of January 1, 2022 to March 31, 2022, 1.02% for the period April 1, 2023 to June 30, 2022 and 2.20% thereafter until April 30, 2023. The interest rates by quarter for each year are provided in Table 9-5 in this Exhibit.

OEB Commodity Pass Through Account Guidance

PUC confirms that it has complied with the OEB's February 21, 2019, guidance on the accounting for Accounts 1588 – RSVA Power and 1589 – RSVA Global Adjustment. PUC confirms that the balances being requested for disposition have been recorded in accordance with the aforementioned accounting guidance.

DVA Continue/Discontinue/Commence

PUC will continue or discontinue using the Group 2 accounts on a go-forward basis as outlined in Table 9-15 of this Exhibit. As well, PUC is requesting new sub-accounts in this Application, as set out in Table 9-15, to assist with the transactions related to its SSG project as outlined in section 9.7 below.

9.2. RECONCILIATION OF CONTINUITY SCHEDULE TO RRRS

Table 9-1 contains all DVA account balances from the 2021 Audited Financial Statements as at December 31, 2021. These balances agree to the 2021 year end balances in 2.1.7 Trial Balance of PUC's RRR filing on April 30, 2022. PUC confirms that no adjustments have been made to any DVA balances previously approved the OEB on a final basis. DVA Accounts were last disposed of on a final basis in PUC'S 2022 IRM Application for 2020 balances.

For Group 1 DVAs, a credit variance of $106,701 is calculated in the Model for account 1580, RSVA – Wholesale Market Service Charge, however, there is not an actual variance as the Model is double counting the CBR Class B balances.

PUC has used the DVAs in the same manner described in the APH and the Accounting Order approved with its SSG ICM application (EB-2018-0219/2020-0249) attached as Appendix A.

Table 9-1: December 31, 2021 Audited Balances – DVAs

Account Name	Account Number	Total Principal (Dec 31, 2021)	Total Interest (Dec 31, 2021)	Total Principal & Interest (Dec 31, 2021)	2.1.7 RRR Balances (Dec, 31, 2021)	Variance
Group 1 Accounts:						
Smart Metering Entity Charge Variance Account	1551	($16,762)	$53	($16,709)	($16,709)	$0
RSVA - Wholesale Market Service Charge	1580	$664,614	($8,090)	$656,524	$549,823	$106,701
RSVA - Wholesale Market Service Charge - CBR	1580	($106,072)	($630)	($106,701)	$0	($106,701)
RSVA - Retail Transmission Network Charge	1584	$685,423	$1,806	$687,230	$687,230	$0
RSVA - Power (excluding Global Adjustment)	1588	($718,815)	$6,969	($711,846)	($711,846)	($0)
RSVA - Global Adjustment	1589	$188,255	$24,535	$212,790	$212,790	$0
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	$25,811	$0	$25,811	$25,811	$0
Disposition and Recovery/Refund of Regulatory Balances (2019)	1595	($24,485)	$0	($24,485)	($24,485)	$0
Disposition and Recovery/Refund of Regulatory Balances (2020)	1595	$228,535	$0	$228,535	$228,535	$0
Subtotal - Group 1 Accounts		**$926,505**	**$24,644**	**$951,149**	**$951,149**	**($0)**
Group 2 Accounts:						
Other Regulatory Assets - Sub-Account - Pole Attachment Variance	1508	($25,567)	($1,165)	($26,732)	($26,732)	$0
Other Regulatory Assets - Sub-Account - ICM Substation 16	1508	$5,635,157	$1,389	$5,636,546	$5,636,546	$0
COVID-19 Rate Implementation Delay Variance Account	1509	$146,644	$0	$146,644	$146,644	$0
COVID-19 Incremental Expense Variance Account	1509	$383,029	$10,193	$393,221	$393,221	$0
Retail Cost Variance Account - Retail	1518	($5,273)	($915)	($6,188)	($6,188)	$0
Retail Cost Variance Account - STR	1548	$51,022	$2,373	$53,395	$53,395	$0
PILs & Taxes Variance	1592	($409,355)	($1,619)	($410,974)	($410,974)	$0
Subtotal - Group 2 Accounts		**$5,775,657**	**$10,255**	**$5,785,912**	**$5,785,912**	**$0**
Other Accounts:						
LRAM Variance Account	1568	$8,827	$5,436	$14,263	$14,263	$0
Subtotal - Other Accounts		**$8,827**	**$5,436**	**$14,263**	**$14,263**	**$0**
Total		**$6,710,988**	**$40,335**	**$6,751,324**	**$6,751,324**	**($0)**

9.3. ENERGY SALES AND COST OF POWER

For PUC, 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, by component, are presented in Table 9-2 as reported in the Audited Financial Statements and the USoA within the RRR filing 2.1.7. PUC has no profit or loss resulting from the flow through of energy revenues and expenses. Any temporary variances are recorded in the Group 1 RSVA balances.

Table 9-2: Energy Revenue and Cost of Power Expenses

Account Name	Account Number	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual
ENERGY REVENUE:						
Residential Energy Sales	4006	($53,101,142)	($46,713,865)	($30,805,122)	($37,821,643)	($30,159,605)
Street Lighting Energy Sales	4025	($328,779)	($198,783)	($316,706)	($341,512)	($287,137)
Sentinel Energy Sales	4030	($23,255)	($19,380)	($21,128)	($29,928)	($23,526)
General Energy Sales	4035	($37,568,808)	($34,555,124)	($37,114,400)	($38,977,776)	($31,837,422)
Energy Sales for Resale	4055	($1,169,771)	($1,665,472)	($1,276,773)	($778,996)	($1,473,323)
Wholesale Market Service Charges	4062	($2,620,200)	($2,253,664)	($2,183,424)	($1,994,544)	($3,026,180)
Network	4066	($3,797,613)	($3,844,116)	($4,029,137)	($4,086,741)	($4,934,100)
Smart Meter Entity Charge	4076	($322,910)	($238,211)	($230,059)	($227,516)	($228,785)
TOTAL ENERGY REVENUE		**($98,932,478)**	**($89,488,616)**	**($75,976,750)**	**($84,258,657)**	**($71,970,078)**
COST OF POWER EXPENSES:						
Power Purchased	4705	$68,428,558	$61,672,851	$50,211,564	$56,117,835	$50,028,949
Global Adjustment	4707	$23,763,197	$21,479,774	$19,322,565	$21,832,021	$13,752,064
Wholesale Market Service	4708	$2,620,200	$2,253,664	$2,183,424	$1,994,544	$3,026,180
Network	4714	$3,797,613	$3,844,116	$4,029,137	$4,086,741	$4,934,100
Smart Meter Entity Charge Total	4751	$322,910	$238,211	$230,059	$227,516	$228,785
TOTAL COST OF POWER EXPENSES		**$98,932,478**	**$89,488,616**	**$75,976,750**	**$84,258,657**	**$71,970,078**
DIFFERENCE REVENUE VS EXPENSE		**$0**	**$0**	**($0)**	**($0)**	**$0**

9.4. INTEREST RATES APPLIED

PUC has used the Board's prescribed interest rates when calculating carrying charges on the DVA balances. Table 9-3 below shows the Board's prescribed interest rates starting from 2018 Q1 onward. Interest is calculated based on the opening monthly principal balances.

In accordance with the filing requirements, the most recent posted interest rate (2.2% for Q3 of 2022) has been used to forecast carrying charges to April 30, 2023. The interest component for DVA balances is included in the principal balance for each account.

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

Period	Interest Rate
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	5.70%
Q2 2022	1.02%
Q3 2022 -2023 forecast	2.20%

9.5. DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

PUC is requesting disposition of the variance accounts noted in Table 9-4 which summarizes the principal account balances in each DVA and sub-accounts for disposition. PUC is requesting a net disposition of $58,219 to be collected from customers, based on the 2021 year end balances plus 2022/2023 adjustments and interest from January 1, 2022 to April 30, 2023. Details of each account disposition request are discussed in detail in the evidence that follows.

The Group 1 balances differ from the RRR balances to account for the 2021 IRM disposal of 2020 DVA balances, as well as the forecasted interest to April 30, 2023. Group 2 balances differ from the RRR balances, as shown in tab. “3. Appendix A” in the Model. These differences are a result of PUC’s request to dispose of principal balances for certain Group 2 accounts, up to and including April 30, 2023 activity, which the Model is unable to effectively accommodate. In order to incorporate this activity and associated carrying charges, PUC utilized column BF (Principal Adjustments during 2021) on tab “2b. Continuity Schedule” to input this information. The following summarizes the request for disposition of certain Group 2 accounts:

- For Account 1508, PUC calculated the difference between revenue requirement and the rate rider collected for its ICM projects as discussed in Exhibit 2. The difference has been determined to be immaterial and thus PUC is not requesting disposition of the residual balance. PUC had 2 ICMs during this period; Sub 16 [EB 2019-0170] and SSG [EB2020-0249/EB2018-0219].

  The reconciliation for the Sub 16 ICM includes account 1509 – ICM Rate Rider for Recovery of COVID-19 Forgone Revenue from Postponing Rate Implementation – effective November 1, 2020 until October 31, 2022. [EB 2019-0170]

- PUC is requesting to collect the difference between the calculated revenue and the actual collected rate rider in account 1509 – IRM Forgone Revenue Rate Rider which was due to the delayed implementation of May 1, 2020 rates to November 1, 2020. PUC has forecasted the rate rider to October 31, 2022. [EB 2019-0170]

- PUC is requesting to collect lost revenues from CDM activities from 2017-2022. The LRMAVA remaining balance from the 2018 COS is also included in this Application.

- PUC is requesting to refund the balance in account 1592 – PILs & Tax Variance CCA Changes. The 2021 CCA tax adjustment has been forecasted in include in the disposal amount.

Table 9-4: DVAs Requested for Disposal in 2023 Application

Account Name	Account Number	Total Principal & Interest (Dec 31, 2021)	2021 Disposal	COS Adjustments	Principal & Interest Disposed	Interest to April 30, 2023	Balances April 30, 2023 Total Claim
Group 1 Accounts:							
Smart Metering Entity Charge Variance Account	1551	($16,709)	$50	$0	($16,659)	($373)	($17,032)
RSVA - Wholesale Market Service Charge	1580	$656,524	$229,218	$0	$885,742	$19,790	$905,532
RSVA - Wholesale Market Service Charge - CBR	1580	($106,701)	$32,653	$0	($74,048)	($1,653)	($75,701)
RSVA - Retail Transmission Network Charge	1584	$687,230	($248,553)	$0	$438,677	$9,762	$448,439
RSVA - Power (excluding Global Adjustment)	1588	($711,846)	($170,617)	$0	($882,464)	($19,740)	($902,204)
RSVA - Global Adjustment	1589	$212,790	($552,595)	$0	($339,805)	($7,800)	($347,605)
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	$25,811	$0	$0	$25,811	$2,220	$28,031
Subtotal - Group 1 Accounts		**$951,149**	**($709,845)**	**$0**	**$37,255**	**$2,206**	**$39,461**
Account Name	**Account Number**	**Total Principal & Interest (Dec 31, 2021)**	**2023 Forecast Transactions**	**COS Adjustments**	**Principal & Interest Disposed**	**Interest to April 30, 2023**	**Total Claim**
Group 2 Accounts:							
Other Regulatory Assets - Sub-Account - Pole Attachments	1508	($26,732)	$0	$0	($26,732)	($570)	($27,302)
Other Regulatory Assets - Sub-Account - ICM Substation 16	1508	$6,020,119	$0	($6,020,119)	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Substation 16 Rate Rider	1508	($268,431)	($344,181)	$612,612	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Substation Forgone Revenue	1508	($115,142)	$0	$115,142	$0	$0	$0
COVID-19 Delayed Implementation ICM Substation Forgone Revenue	1508	$115,142	$0	($115,142)	$0	$0	$0
COVID-19 Delayed Implementation ICM Substation Rate Rider	1508	($59,155)	($41,340)	$100,495	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Sault Smart Grid	1508	$0	$21,514,534	($21,514,534)	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Sault Smart Grid Rate Rider	1508	$0	($871,634)	$871,634	$0	$0	$0
COVID-19 Delayed Implementation IRM Forgone Revenue	1509	$192,359	$0	$0	$192,359	$4,291	$196,650
COVID-19 Delayed Implementation IRM Rate Rider Recovery	1509	($101,703)	($78,445)	$0	($180,147)	($1,756)	($181,903)
COVID-19 Incremental Expense Variance Account	1509	$393,222	$0	$0	$393,222	$8,545	$401,767
Retail Cost Variance Account - Retail	1518	($6,188)	($12,107)	$0	($18,295)	($388)	($18,683)
Retail Cost Variance Account - STR	1548	$53,395	$10,433	$0	$63,828	$1,371	$65,199
PILs & Taxes Variance	1592	($410,974)	($189,219)	$0	($600,193)	($13,353)	($613,546)
Subtotal - Group 2 Accounts		**$5,785,912**	**$19,988,042**	**($25,949,912)**	**($175,959)**	**($1,859)**	**($177,818)**
Other Accounts:							
LRAM Variance Account (2018 COS)	1568	$14,263	($22,841)	$0	($8,578)	($645)	($9,223)
LRAM Variance Account (2023 COS)	1568	$0	$201,460	$0	$201,460	$4,339	$205,799
Subtotal - Other Accounts		**$14,263**	**$178,619**	**$0**	**$192,882**	**$3,694**	**$196,576**
Total Group 2 Accounts		**$5,800,175**	**$20,166,661**	**($25,949,912)**	**$16,923**	**$1,835**	**$18,758**
Total		**$6,751,323**	**$19,456,816**	**($25,949,912)**	**$54,178**	**$4,041**	**$58,219**

Table 9-5 below summarizes the dates for principal activity that PUC is requesting to include/exclude in its Group 2 disposition by account.

Table 9-5: Principal Activity included/excluded in Group 2 Disposition

Group 2 Account Description	Account Number	Principal Amounts Included in Proposed Disposition
Group 2 Accounts:		
Other Regulatory Assets - Sub-Account - Pole Attachments	1508	to December 31, 2021
COVID-19 Delayed Implementation IRM Forgone Revenue	1509	to October 31, 2022
COVID-19 Delayed Implementation IRM Rate Rider Recovery	1509	to October 31, 2022
COVID-19 Incremental Expense Variance Account	1509	to December 31, 2021
Retail Cost Variance Account - Retail	1518	to April 30, 2023
Retail Cost Variance Account - STR	1548	to April 30, 2023
PILs & Taxes Variance	1592	to December 31, 2022
LRAM Variance Account (2018 COS)	1568	to December 31, 2021
LRAM Variance Account (2023 COS)	1568	to April 30, 2022
Group 2 Account Description	**Account Number**	**Principal Amounts Included in Proposed Disposition**
Other Regulatory Assets - Sub-Account - ICM Substation 16	1508	to December 31, 2021
Other Regulatory Assets - Sub-Account - ICM Substation 16 Rate Rider	1508	to April 30, 2023
Other Regulatory Assets - Sub-Account - ICM Substation Forgone Revenue	1508	to October 31, 2022
COVID-19 Delayed Implementation ICM Substation Forgone Revenue	1509	to October 31, 2022
COVID-19 Delayed Implementation ICM Substation Rate Rider	1509	to October 31, 2022
Other Regulatory Assets - Sub-Account - ICM Sault Smart Grid	1508	to December 31, 2021
Other Regulatory Assets - Sub-Account - ICM Sault Smart Grid Rate Rider	1508	to April 30, 2023

9.5.1 Request of Disposal of Group 1 DVAs

PUC last disposed of Group 1 account balances in its 2022 IRM Rate Application (EB-2021-0054) on a final basis. PUC has entered the continuity data into Tab 2 of the Model from January 1, 2021 onwards. A total variance is calculated in tab “2a. Continuity Schedule” of the model. The 2022 IRM approved disposal for 2021 balances is shown below in Table 9-6 below, as well as the forecasted interest to April 30, 2023.

The rate riders are calculated in the Model in tab "7. Rate Rider Calculations." PUC has adopted the standard OEB model and has not made any edits or changes to the model, except to input RRR 2021 balances which were not yet pre-populated in the model.

PUC is requesting to dispose of the aggregated debit balance of $39,461 in its Group 1 DVAs, over a 12-month period.

Table 9-6: Group 1 DVAs Requested for Disposal

Account Name	Account Number	Principal & Interest Disposed	Interest to April 30, 2023	Balances April 30, 2023 Total Claim
Group 1 Accounts:				
Smart Metering Entity Charge Variance Account	1551	($16,659)	($373)	($17,032)
RSVA - Wholesale Market Service Charge	1580	$885,742	$19,790	$905,532
RSVA - Wholesale Market Service Charge - CBR	1580	($74,048)	($1,653)	($75,701)
RSVA - Retail Transmission Network Charge	1584	$438,677	$9,762	$448,439
RSVA - Power (excluding Global Adjustment)	1588	($882,464)	($19,740)	($902,204)
RSVA - Global Adjustment	1589	($339,805)	($7,800)	($347,605)
Disposition and Recovery/Refund of Regulatory Balances (2018)	1595	$25,811	$2,220	$28,031
Subtotal - Group 1 Accounts		**$37,255**	**$2,206**	**$39,461**

9.5.1.1 Account 1551: Smart Metering Entity Charge Variance Account

This account is used to record the difference between the Smart Meter Entity amounts billed to PUC customers and the charges paid to the IESO. PUC uses the accrual method. Account balances to December 31, 2021, plus carrying costs are being requested. The Board prescribed interest rates are used to calculate carrying charges.

PUC requests disposition of Account 1551 for the amount of $17,032 as a refund to customers, including carrying charges to April 30, 2023.

9.5.1.2 Account 1580: RSVA – Wholesale Market Service Charge

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

PUC requests disposition of Account 1580 for the amount of $905,532 to be collected from customers, including interest to April 30, 2022 and disposition of Account 1580 sub-account CBR Class B in the amount of $75,701 as a refund to customers, including interest to April 30, 2022.

9.5.1.3 Account 1584: RSVA – Retail Transmission Network Charge

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

PUC requests disposition of Account 1584 for the amount of $448,432 to be collected from customers, including interest to April 30, 2022.

9.5.1.4 Account 1588: RSVA – Power (excluding Global Adjustment)

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

PUC requests disposition of Account 1588 for the amount of $902,204 as a refund to customers, including interest to April 30, 2022.

9.5.1.5 Account 1589: RSVA – Global Adjustment

This account is used to recover the net difference between the provincial benefit amount billed to non-RPP customers and the GA adjustment charge to PUC using the settlement invoice from the IESO. PUC uses the accrual method. The Board prescribed interest rates are used to calculate carrying charges.

PUC requests disposition of Account 1589 for the amount of $347,605 as a refund to non-RPP customers, including interest to April 30, 2022.

PUC confirms that the OEB guidance of February 21, 2019 on the accounting for accounts 1588 and 1589 has been followed. PUC further confirms that the IESO Global Adjustment Charge CT 148 is pro-rated into the Regulated Price Plan ("RPP") and Non-RPP portions.

9.5.1.6 GA Analysis Work Form

PUC has provided the GA Analysis Workform (the "Workform") for 2021 as a live excel spreadsheet file "2023-GA_Analysis_Workform_ 20220831". PUC acknowledges that the amounts in column F in the "GA 2021" tab are actual billed at the effective rate and therefore no unbilled current/previous month adjustments are required in column D or E.

In the Workform, PUC confirms the following information:

- The unresolved difference as a percentage of Expected GA Payments to IESO is less than 1.0%;

- No principal adjustments are required to be made in 2021; and
- The total activity in 2021 for account 1588 RSVA Power is 1.4%, however, the amount includes a CT2148 prior year amounts. Excluding this amount, it would be 0.6%, less than 1.0% of the total power purchased in account 4705 – Power purchased net a 2020 prior year adjustment GA charge by IESO invoiced in 2021.

9.5.1.7 Account 1595: (2018) Disposition and Recovery/Refund of Regulatory Balances

This account includes the regulatory asset or liability balances authorized by the Board for recovery in rates or payments/credits made to customers. Separate sub-accounts are maintained for expenses, interest, and recovery amounts for each Board-approved recovery. The amount requested for disposition below relates to residual balances from rate riders that concluded in 2018 or prior years.

PUC requests disposition of Account 1595 for $28,031 to be collected from customers from the 2018 sub-account. The Group 1 DVA Rate Rider approved in PUC's 2018 COS Application has a sunset date of April 30, 2020. PUC had no subsequent activity in this account other than a reconciliation adjustment between Account 1595 (2019) to correct balances between disposal years. PUC expects no further activity to this account and requests final disposal of the residual balance. The collections/returns variance percentage is less than 1.0%. PUC has provided the 1595 Analysis Workform sub-account (2018) as a live excel spreadsheet file "2023_1595_Analysis_Workform_20220831".

9.5.2 Request of Disposal of Group 2 DVAs

PUC's Group 2 accounts include the pole attachment variance, retail service charges variance, delayed IRM rate implementation forgone revenue rider reconciliation, PILS accelerated CCA variance, impacts arising from the COVID-19 emergency incremental variance, and the LRAM variance which have been accumulating since PUC's last 2018 COS request for disposition.

The total disposition amount for the Group 2 and other accounts is $18,758 as shown in Table 9-7 below. The following sections provide details of the Group 2 and other accounts utilized by PUC and the respective disposition requests. PUC discusses each of the Group 2 DVA Accounts below explaining the composition of the balance of each of the accounts requested for disposal.

Table 9-7: Group 2 DVAs Requested for Disposal

Account Name	Account Number	Total Principal & Interest (Dec 31, 2021)	2023 Forecast Transactions	COS Adjustments	Principal & Interest Disposed	Interest to April 30, 2023	Total Claim
Group 2 Accounts:							
Other Regulatory Assets - Sub-Account - Pole Attachments	1508	($26,732)	$0	$0	($26,732)	($570)	($27,302)
Other Regulatory Assets - Sub-Account - ICM Substation 16	1508	$6,021,509	$0	($6,021,509)	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Substation 16 Rate Rider	1508	($269,820)	($338,395)	$608,215	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Substation Forgone Revenue	1508	($115,142)	$0	$115,142	$0	$0	$0
COVID-19 Delayed Implementation ICM Substation Forgone Revenue	1508	$115,142	$0	($115,142)	$0	$0	$0
COVID-19 Delayed Implementation ICM Substation Rate Rider	1508	($59,155)	($43,430)	$102,585	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Sault Smart Grid	1508	$0	$21,514,534	($21,514,534)	$0	$0	$0
Other Regulatory Assets - Sub-Account - ICM Sault Smart Grid Rate Rider	1508	$0	($871,634)	$871,634	$0	$0	$0
COVID-19 Delayed Implementation IRM Forgone Revenue	1509	$192,359	$0	$0	$192,359	$4,291	$196,650
COVID-19 Delayed Implementation IRM Rate Rider Recovery	1509	($101,703)	($78,445)	$0	($180,147)	($1,756)	($181,903)
COVID-19 Incremental Expense Variance Account	1509	$393,222	$0	$0	$393,222	$8,545	$401,767
Retail Cost Variance Account - Retail	1518	($6,188)	($12,107)	$0	($18,295)	($388)	($18,683)
Retail Cost Variance Account - STR	1548	$53,395	$10,433	$0	$63,828	$1,371	$65,199
PILs & Taxes Variance	1592	($410,974)	($189,219)	$0	($600,193)	($13,353)	($613,546)
Subtotal - Group 2 Accounts		**$5,785,912**	**$19,991,738**	**($25,953,609)**	**($175,959)**	**($1,859)**	**($177,818)**
Other Accounts:							
LRAM Variance Account (2018 COS)	1568	$14,263	($22,841)	$0	($8,578)	($645)	($9,223)
LRAM Variance Account (2023 COS)	1568	$0	$201,460	$0	$201,460	$4,339	$205,799
Subtotal - Other Accounts		**$14,263**	**$178,619**	**$0**	**$192,882**	**$3,694**	**$196,576**
Total Group 2 Accounts		**$5,800,175**	**$20,170,357**	**($25,953,609)**	**$16,923**	**$1,835**	**$18,758**

9.5.2.1 Account 1508: Pole Attachment Variance

The OEB provided accounting guidance in its letter dated July 20, 2018, "Accounting Guidance on Wireline Pole Attachment Charges. A new variance account, Account 1508 – Sub-Account Pole Attachment Revenue Variance was established to record the incremental revenue arising from the changes to the pole attachment charge. On December 16, 2021[1], the OEB issued an Order, establishing a new pole attachment charge for 2022 in accordance with the methodology outlined in O. Reg. 842/21. The Order also made the 2021 pole attachment charge final, which was previously established on an interim basis.

In 2018, the pole attachment charge was initially updated from $22.35 to $28.09 for September 1, 2018 until December 31, 2018 and adjusted to the OEB rate of $43.63 effective January 1, 2019. The rate was again adjusted to $44.50 on January 1, 2020.

In 2018, PUC recorded the incremental variance for the September to December period of 2018 in the amount of $25,567. PUC had its pole attachment rate updated with approval of its 2018 COS application and therefore has not calculated any further variance beyond 2018. The balance at December 31, 2021, with carrying charges to April 1, 2023 is $27,302 and is requested for disposition in this application. PUC has not included any additional variance for 2022 in this Application as amounts are unknow at this time. Table 9-8 below identifies the amounts in this account and total balance proposed for disposal.

[1] OE Letter, December 16, 2021, "Accounting Guidance for Wireline Pole Attachment Charges"

Table 9-8: Account 1508 (Poles) Disposal

Acct 1508- Pole	2018	2019	2020	2021	01-Apr-23
Opening	$ -	$ 25,567	$ 25,567	$ 25,567	$ 25,567
4210	$ 25,567				
Closing	$ 25,567	$ 25,567	$ 25,567	$ 25,567	$ 25,567
Carrying costs				$ 1,165	$ 1,735
Balance				$ 26,732	**$ 27,302**
Joint Poles	17,817				
Rate Jan-Aug	$ 22.35				
Rate Sept-Dec	$ 28.09				
Annual change	$ 5.74				
/ 4 mths	**$ 25,567**				

9.5.2.2 Account 1508: ICM Substation 16 Variance

As part of its 2020 IRM, PUC received approval for the incremental spending for its Sub 16 rebuild project. PUC used an account 1508 sub-account to record costs associated with the Sub 16 project.

PUC's reconciliation of the Sub 16 ICM actual revenue requirement versus the associated rate rider is provided in Exhibit 2, Section 2.8.1 – Addition of Previously Approved ICM Project Assets to Rate Base. The rate rider associated with this account will expire on April 30, 2023 and as such, amounts have been forecasted. The projected variance is not material; therefore, PUC is not requesting an amount for disposal. PUC is requesting that the account be discontinued.

9.5.2.3 Account 1508 – ICM Sault Smart Grid Variance

As part of its 2019 IRM (further amended and restated in 2020), PUC received approval for incremental spending for its SSG project. PUC used account 1508 sub-account to record costs associated with the approved SSG ICM. PUC received approval for a separate accounting order attached as Appendix-A. Since the project is currently being completed, PUC intends to follow this accounting order for the transactions that will occur by December 31, 2022 as outlined in the accounting order.

PUC's reconciliation of the SSG ICM forecasted revenue requirement versus the associated rate rider is provided in Exhibit 2, Section 2.8.2 – Addition of Previously Approved ICM Project Assets to Rate Base. The rate rider associated with this account will expire on April 30, 2023 and as such, amounts have been forecasted. The variance is not material; therefore, PUC is not requesting an amount for disposal. PUC is requesting that the account be discontinued.

9.5.2.4 Account 1518: Retail Service Charges and Account 1548: RCVA STR

With forecasted amounts to April 30, 2023, PUC requests to dispose of $18,683 to be refunded to customers and $65,199 to be collected from customers, in account 1518 – RSVA Retail and account 1548 – RSVA STR, respectively.

PUC confirms that all costs incorporated into the variances reported are incremental costs of providing retail services. The driver for the balances is the difference between the amounts collected from retailers to process retailer transactions and services agreements and the costs of providing those services. The balances are not material. PUC has provided Table 9-9 identifying all revenues and expenses listed by account that are incorporated into the variances recorded in account 1518 and account 1548. PUC has followed Article 490, Retail Services and Settlement Variances of the APH for account 1518 and account 1548.

PUC requests disposition of the balances in account 1518 – RCVA Retail and account 1548 – RCVA STR in this Application and to discontinue these accounts after April 1, 2023 on the assumption that PUC's 2023 rates are approved effective May 1, 2023. PUC has forecasted activity for 2022 through to April 30, 2023 based on historical averages for the past 2 years of activity.

Table 9-9: Account 1518 and 1548 (RSVA Retail) Disposal

Acct 1518	2017	2018	2019	2020	2021	Forecast to April 1, 2023
Opening	$ (139,578)	$ (123,129)	$ 24,370	$ 18,941	$ 4,005	$ (5,273)
4082	$ (18,458)	$ (17,492)	$ (25,442)	$ (26,764)	$ (21,816)	$ (24,290)
5315	$ 34,907	$ 25,412	$ 20,013	$ 11,828	$ 12,538	$ 12,183
Disposal		$ 139,578				
Closing	$ (123,129)	$ 24,370	$ 18,941	$ 4,005	$ (5,273)	$ (17,380)
Carrying costs					$ (915)	$ (1,303)
Balance					$ (6,187)	**$ (18,682)**
Acct 1548	**$ 2,017**	**$ 2,018**	**$ 2,019**	**$ 2,020**	**$ 2,021**	**$ 2,021**
Opening	$ 78,206	$ 89,176	$ 21,242	$ 30,157	$ 41,221	$ 51,023
4084	$ (126)	$ (118)	$ (220)	$ (236)	$ (130)	$ (183)
5315	$ 11,096	$ 10,389	$ 9,135	$ 11,300	$ 9,932	$ 10,616
Disposal		$ (78,206)				
Closing	$ 89,176	$ 21,242	$ 30,157	$ 41,221	$ 51,023	$ 61,455
Carrying costs					$ 2,373	$ 3,744
Balance					$ 53,395	**$ 65,199**

9.5.2.5 Account 1509: COVID-19 Delayed Implementation IRM Forgone Revenue Variance

On August 6, 2020, the OEB issued an Accounting Order[2], a COVID-19 Forgone Revenue Rate Rider Model, and associated filing instructions and account guidance for those utilities that wished to seek recovery of forgone revenue, the implementation of their 2020 rate increase, or both. In this Accounting Order, the OEB established a new sub-account under the Impacts Arising from the COVID-19 Emergency Account, called the Forgone Revenues from Postponing Rate Implementation Sub-Account. The OEB advised that this new sub-account was to be used to record forgone revenues due to the postponement of rate implementation as a result of the COVID-19 emergency.

[2] OEB's August 6, 2020 Accounting Order for the Establishment of a Sub-account to Record Impacts Arising from the COVID-19 Emergency for Forgone Revenues from Postponing Rate Implementation

The OEB Letter re: guidance for Electricity Distributors with Forgone revenues due to postponed rate implementation from COVID-19 provided that distributors that postponed their IRM decisions for May 1, 2020 rates must use the COVID-19 Forgone Revenue Rate Rider Model and Forgone Revenue Guidance when requesting recovery of forgone revenues through the OEB's administrative process as described in the Forgone Revenue Guidance.

PUC elected to delay the implementation of its 2020 IRM Rates. Therefore, PUC has provided the OEB with its forgone revenue model and its calculations for the forgone revenue rate rider and tariff charges as part of the COVID-19 Forgone Revenue Rate Rider model. The rate rider was effective November 1, 2020 to October 31, 2022.

Table 9-10 shows the forecasted foregone revenue of $212,221. PUC recalculated the actual foregone revenue based on actual consumption which updated the amount to $192,359. PUC is requesting this amount for disposition as it reflects the actual foregone revenue balance. PUC collected $180,147 of the $192,359 and is requesting to collect the difference of $12,211 including carrying charges of $2,536 from customers.

Table 9-10: Account 1509 COVID-19 Forgone Revenue – IRM Delayed Implementation

Acct 1509	Forecasted Foregone	Actual Foregone	Actual Collected	Forecast Jul - Oct 2022	Total Rider Collected	Variance
RESIDENTIAL SERVICE CLASSIFICATION	$ 155,117	$ 135,019	$ (69,604)	$ (52,956)	$ (122,559)	$ 12,460
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	$ 22,253	$ 21,994	$ (14,190)	$ (11,771)	$ (25,961)	$ (3,967)
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	$ 32,876	$ 33,296	$ (17,322)	$ (13,259)	$ (30,581)	$ 2,715
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	$ 269	$ 301	$ (85)	$ (66)	$ (151)	$ 150
SENTINEL LIGHTING SERVICE CLASSIFICATION	$ 274	$ 281	$ (279)	$ (217)	$ (496)	$ (215)
STREET LIGHTING SERVICE CLASSIFICATION	$ 1,433	$ 1,468	$ (223)	$ (176)	$ (399)	$ 1,069
Balance	**$ 212,221**	**$ 192,359**	**$ (101,703)**	**$ (78,445)**	**$ (180,147)**	**$ 12,211**
Carrying Costs		$ 4,291			$ (1,756)	$ 2,536
Balance		**196,650**			**(181,903)**	**$ 14,747**

9.5.2.6 Account 1509: COVID-19 Incremental Expense Variance

In its March 25, 2020 letter[3], the OEB acknowledged that electricity distributors may incur incremental costs as a result of the ongoing COVID-19 emergency. The Accounting Order established a new COVID Deferral/Variance Account ("COVID DVA"), together with three sub-accounts, for electricity distributors to use to track incremental costs and lost revenues related to the COVID-19 emergency.

On May 14, 2020, the OEB issued a letter initiating the Consultation on the Deferral Account – Impacts Arising from the COVID-19 Emergency (the "Consultation") under OEB File Number: EB-2020-0133. As outlined in this letter, the objective of the Consultation is to assist the OEB in the development of new accounting guidance related to the COVID DVA and filing requirements, where appropriate, for the review and disposition of the account, giving due regard to bill impacts on customers.

As at December 31, 2020, the Consultation process remained ongoing, however PUC Management carefully considered the appropriateness of the amounts recorded in its COVID DVA and recorded 100% of COVID costs based on the guidance available at the time.

On June 17, 2021, the OEB issued a Report of the Board[4] in the OEB's consultation on COVID-19 Deferral Account application. The OEB stated that its Report should be viewed as a set of guidelines – a roadmap to aid utilities in understanding the OEB's expectation with respect to their potential requests for relief associated with this Account. Based on the Report, PUC did a full review of the amounts recorded in Account 1509 and recorded an adjustment for ineligible

[3] OEB Letter, March 25, 2020, Accounting Order for the Establishment of Deferral Accounts to Record Impacts Arising from the COVID-19 Emergency
[4] OEB Report, June 17, 2021, Regulatory Treatment of Impacts Arising from the COVID-19 Emergency

amounts in 2021. PUC requests to dispose of the eligible balance of $401,767, including carrying costs for incremental expenses related to COVID-19.

The OEB Report lays out the rules and operations of the Account, and PUC assessed its account balance as follows:

- The OEB determined that recovery of any balances recorded in the Account should be subject to evidence that the costs are not only reasonable, but also that recovery of the costs is necessary for the utility to maintain its opportunity to earn a fair return over the long run.
- The OEB defined two pools of amounts to be recorded in the COVID-19 deferral account.
  - Exceptional pool sub-account; and
  - The remaining sub-accounts.
- Incremental bad debt arising from voluntary cessations of disconnections implemented by utilities may be included in the exception pool sub-account. PUC was unable to determine if there was any incremental bad debt associated with cessations of disconnections.
- The OEB adopted a three-part means test for recovery as follows:
  - First Means Test - If a distributor's regulated ROE is greater than 12%, no amounts are eligible for inclusion in the account.
    - PUC's regulated ROE in 2020, with no inclusion of balances in account 1509, was estimated at 5.78%, on an after-tax basis, therefore PUC meets the first means test.

- Second Means Test - If a distributor's regulated ROE is less than 12%, they are eligible to recover the portion of the costs recorded in the exceptional pool sub- account, up to the point that their Regulated ROE becomes 12%. There will be no recovery of exceptional pool sub-account distributors Regulated ROE above 12%.
    - By recovering the 2020 balance of the exceptional pool sub- account in account 1509 PUC's regulated ROE becomes 6.27%, on an after-tax basis. PUC meets the second means test and is eligible for full recovery of its exceptional pool sub-accounts.

- Third Means Test - After recording amounts to the exceptional pool sub-account, if a distributor's regulated ROE is greater than 6.00%, no remaining sub-account amounts are eligible for inclusion in the account.
    - Since PUC's regulated ROE, after recording the exceptional pool sub-account in Account 1509, is 6.27%, PUC does not meet this means test as its regulated ROE is greater than 6.00%, PUC is not eligible to recover any remaining sub-account amounts.
- PUC has only filed for recovery of mandated government or OEB-initiated programs. It is not eligible nor is it requesting further cost recovery relating to remaining sub-account amounts. As provided in Table 9-11 below, costs that PUC is requesting for disposal relate to:
    - Incremental billing expenses;
    - Incremental labour expenses directly from government and OEB initiated programs (i.e., CEAP program, GA Deferral, Emergency TOU, COVID DVA);

- Lost revenues from certain reduced/waived specific service charges, specifically, costs are related to late payment charges waived in 2020; and
- Additional leap funding to assist customers.

- o As the majority of amounts were incurred in 2020, the materiality threshold is based on the last OEB approved Materiality Threshold (i.e., OEB approved Distribution Service Revenue of $21,888,965 X 0.5% = $109,445). Materiality threshold for this account was therefore met.
- o Amounts approved for disposition were allocated based on number of customers, as provided in the OEB DVA model.

Table 9-11: COVID ROE Comparison Calculations

Regulated net income		ROE Original		ROE COVID Exceptional	ROE Remove COVID
Regulated net income (loss), as per RRR 2.1.7		$2,757,662.04	a	$1,742,524.36	$1,542,597.04
Adjustment items:					
Non-rate regulated items and other adjustments (Appendix 1)		$2,052.20	b	$2,052.20	$2,052.20
Unrealized (gains)/losses on interest rate swaps (Not applicable if recorded in Other Comprehensive Income)			c		
Actuarial (gains)/losses on OPEB and/or Pensions not approved by the OEB			d		
Non-recoverable donations (Appendix 2)		$0.00	e	$0.00	$0.00
Net interest/carrying charges from DVAs (Appendix 3)		$80,137.64	f	$80,137.64	$80,137.64
Interest adjustment for deemed debt (Appendix 4)		$651,690.04	g	$651,690.04	$651,690.04
Adjusted regulated net income before tax adjustments		$3,491,541.92	h=a+b+c+d+e+f+g	$2,476,404.24	$2,276,476.92
Add back:					
Future/deferred taxes expense		$284,105.00	i	$284,105.00	$284,105.00
Current income tax expense (Does not include future income tax)		$76,523.00	j	$76,523.00	$76,523.00
Deduct:					
Current income tax expense for regulated ROE purposes (Appendix 6)		$271,001.17	k	$271,001.17	$271,001.17
Adjusted regulated net income		$3,581,168.75	l=h+i+j-k	$2,566,031.07	$2,366,103.75
Deemed Equity					
Rate base:					
Cost of power		$84,258,656.80	m	$84,258,656.80	$84,258,656.80
Operating expenses before any applicable adjustments		$11,471,101.60	n1	$12,278,571.49	$12,478,498.81
Other Adjustments:					
			n2		
Adjusted operating expenses		$11,471,101.60	n=n1-n2	$12,278,571.49	$12,478,498.81
Total Cost of Power and Operating Expenses		$95,729,758.40	o=m+n	$96,537,228.29	$96,737,155.61
Working capital allowance % as approved in the distributor's last CoS Decision and Order		7.50%	% p	7.50%	7.50%
Total working capital allowance ($)		$7,179,731.88	q=o*p	$7,240,292.12	$7,255,286.67
PP&E					
Opening balance - regulated PP&E (NBV) (Appendix 5)		$94,529,217.41	r	$94,529,217.41	$94,529,217.41
Adjusted closing balance - regulated PP&E (NBV) (Appendix 5)		$95,727,547.84	s	$95,727,547.84	$95,727,547.84
Average regulated PP&E		$95,128,382.63	t=(r+s)/2	$95,128,382.63	$95,128,382.63
Total rate base		$102,308,114.51	u=q+t	$102,368,674.75	$102,383,669.30
Regulated deemed short-term debt % and $	4.00%	$4,092,324.58	v1=v*u	$4,094,746.99	$4,095,346.77
Regulated deemed long-term debt % and $	56.00%	$57,292,544.12	w1=w*u	$57,326,457.86	$57,334,854.81
Regulated deemed equity % and $	40.00%	$40,923,245.80	x1=x*u	$40,947,469.90	$40,953,467.72
Regulated Rate of Return on Deemed Equity (ROE)					
Achieved ROE%		8.75%	% y= l / x1	6.27%	5.78%
Deemed ROE% from the distributor's last CoS Decision and Order		9.00%	% z	9.00%	9.00%
Difference - maximum deadband 3%		-0.25%	% z1 = y-z	-2.73%	-3.22%
ROE status for the year (Over-earning/Under-earning/Within 300 basis points deadband)		Within 300 basis points deadband	z2	Within 300 basis points deadband	Under-earning

Table 9-12: Account 1509 COVID-19 Incremental Expense Detail

Acct 1509	Balance
Incremental billing expenses	$ 577
Incremental labour	$ 250,166
Waived Interest	$ 119,153
Additional LEAP funding	$ 13,133
Principal	**$ 383,029**
Carrying Costs	$ 18,738
Balance	**$ 401,767**

PUC Services Inc. ("PUCS") provides management and operation services for PUC. During the COVID pandemic, additional time was dedicated to supporting the COVID pandemic impact on PUC to ensure its services remained reliable, and its customers and employees were safe. The incremental costs were above the regular management and operation services provided by PUCS as they were to deal with additional services dealing with the extraordinary government and OEB emergency programs.

PUC followed the application rules and operations of the account for recoverability provided by the Report of the OEB. The account was established to recognize the exceptional nature of the pandemic. Since PUC is a virtual utility, additional resources were required to be provided by PUCS above and beyond operation expectations. These resulted in higher expenses for PUC of which costs were prudent to PUC's financial viability to ensure that employee and customers were provided with services, and they were kept safe. The extraordinary costs were in relation to all of the exceptional pool eligible amounts. It was necessary for PUC to obtain additional resources from PUCS to manage these programs to support customers. PUC should not be required to bear the financial impact of these actions.

PUC believes it acted prudently to minimize the impacts and fully exploited all available cost-reductions and savings. PUCS implemented a well-executed disaster recovery plan, appropriate planning processes, and pivots in business plans as appropriate to be able to carry out and provide services to PUC during the pandemic. The incremental costs included in the DVA are for additional PUCS labour to execute these programs, waived interest to reduce impact to customers with late payments, some billing changes and additional LEAP to customers.

No amounts have been forecasted in 2022 or 2023. PUC proposes to discontinue the use of this Account.

9.5.2.7 Account 1568: LRAM Variance Account

This account includes the lost revenue adjustment mechanism ("LRAM") variances in relation to the conservation and demand management ("CDM") programs or activities undertaken by PUC in accordance with Board prescribed requirements. PUC requested that its consultant, Indeco update the LRAMVA model for the purposes of this Application.

The details of this claim are outlined in Exhibit 4 along with Indeco's report and the LRAMVA Work form. PUC had a remaining amount from 2018 COS that is being proposed in the amount of $8,578 refunded to customers. The additional claim from 2023 COS is $205,155 collected from customers. Therefore, PUC requests disposition of Account 1568 for the amount of $196,577 to be collected from customers, including interest to April 30, 2023. PUC is requesting disposition of the balance over a one-year period.

Table 9-12: Account 1568 LRAM (2018 COS)

Acct 1568	2017	2018	2019	2020	2021	Forecast 2022 -Apr 2023
Opening	$ (13,391)	$ (109,860)	$ 419,118	$ 288,959	$ 35,062	$ (6,064)
1568 Disposition		$ 528,978				
1568 Recovery	$ (96,469)		$ (130,159)	$ (253,897)	$ (41,126)	$ (22,841)
Closing	$ (109,860)	$ 419,118	$ 288,959	$ 35,062	$ (6,064)	$ (28,904)
Carrying costs					$ 20,326	$ 20,326
Balance					**$ 14,262**	**$ (8,578)**

Table 9-14: Account 1568 LRAM (2023 COS)

Acct 1568	2018	2019	2020	2021	2022	Forecast Jan-Apr 2023
1568 Disposition	47,519	45,919	34,779	35,197	31,105	**194,519**
Carrying costs					6,941	**10,636**
Balance	**47,519**	**45,919**	**34,779**	**35,197**	**38,047**	**205,155**

LRAM - (2018 COS)	**(8,578)**
LRAM - (2023 COS)	**$ 205,155**
	196,577

PUC requests to continue this account in the event that PUC will be able to participate in incremental CDM programs that would be eligible to use this mechanism in the future.

9.2.5.8 Account 1592: PILs and Tax Variance – CCA Changes

On July 25, 2019, the OEB released a letter titled Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance. This letter discusses the government's Accelerated Investment Incentive ("AII") which provides for a first-year increase in capital cost allowance (CCA) deductions on eligible capital assets acquired after November 20, 2018.

PUC has been calculating the amount annually which has been recorded as part of its year end transactions. The calculation uses PUC's 2018 actual capital additions as the basis of the CCA entry for each year from 2018-2022 – this differs from using the actual additions in each given year. As a result, the difference between the yearly actual additions and the 2018 actual additions have been captured in its loss carry forwards. This is explained in further detail in Exhibit 6 Section 2.6.2. To the end of December 31, 2021, PUC has recorded $410,974, including carrying charges. PUC has also forecasted the principal activity in 2022 of $189,219 in 2022. The account does not include amounts related to the Sub 16 or SSG ICMs as these amounts have also been captured in the loss carry forwards.

As proposed in Table 9-15 below, PUC requests disposal of $613,546 in principal and carrying charges to the end of December 31, 2022. PUC is requesting to dispose of the forecasted balance to the end of 2022. The difference between actual capital additions and budgeted capital additions, used as the basis for 2022 CCA amounts, will be immaterial and PUC is not requesting to continue to use account 1592 for the accumulated CCA tax variance going forward as it all has been reflected in its 2023 PILs tax calculation through a CCA smoothing adjustment.

PUC would continue to use account 1592, as necessary, in the event that either the Federal or Provincial governments make changes to corporate income tax rates or parameters underpinning PUC's 2023 PILs component of Distribution Revenue.

Table 9-15: Account 1592 PILs – CCA

Acct 1592	2018	2019	2020	2021	Forecast 2022	Total
Opening						
Activity	$ -	$ (147,969)	$ (136,136)	$ (125,250)	$ (189,219)	**$ (598,574)**
Carrying costs						**$ (14,973)**
Balance						**$ (613,546)**

Acct 1592	2018	2019	2020	2021	Forecast 2022	Total
Prior CCA	$ 205,202	$ 599,196	$ 961,684	$ 1,295,186	$ 1,396,818	**$ 4,252,884**
Accelerated CCA	$ 205,202	$ 1,009,600	$ 1,339,269	$ 1,642,577	$ 1,921,632	**$ 5,913,078**
Difference in CCA	$ -	$ 410,404	$ 377,585	$ 347,391	$ 524,814	$ 1,660,194
Tax Impact @ 26.5%	**$ -**	**$ 108,757**	**$ 100,060**	**$ 92,059**	**$ 139,076**	**$ 439,951**
Grossed-up	**$ -**	**$ 147,969**	**$ 136,136**	**$ 125,250**	**$ 189,219**	**$ 598,573**

9.6. GROUP 2 ACCOUNTS – TO COMMENCE/CONTINUE/DISCONTINUE

Table 9-15 below lists all Group 2 accounts which PUC will continue/discontinue/commence on a going-forward basis.

Table 9-15 – Group 2 Accounts – Commence/Continue/Discontinue

Group 2 and Other Accounts	Account Number	Commence Continue Discontinue	Explanation
Other Regulatory Assets - Sub Account - Incremental VVO Savings or Costs	1508	Commence	To record on-going SSG VVO impacts.
Other Regulatory Assets - Sub Account - EPC Contract Liquidated Damages	1508	Commence	To record liquidated damages due to performance or delay in EPC contract.
Other Regulatory Assets - Sub-Account - Pole Attachment	1508	Continue	On-going in event of a decrease in expected Pole Rental charge.
PILs and Tax Variance	1592	Continue	Remain available to use for other legislative tax changes not reflected in rates.
LRAM Variance Account	1568	Continue	On-going in event of future CDM programs.
Other Regulatory Assets - Sub-Account - ICM Sub-station 16	1508	Discontinue	Rate Rider in effect until April 30, 2023
Other Regulatory Assets - Sub-Account - Sault Smart Grid	1508	Discontinue	Rate Rider in effect until April 30, 2023
COVID-19 Deferral Account	1509	Discontinue	Final disposition at rebasing; no activity expected
Retail Cost Variance Account - Retail	1518	Discontinue	Final disposition at rebasing; forecast activity to April 30, 2023
Retail Cost Variance Account - STR	1548	Discontinue	Final disposition at rebasing; forecast activity to April 30, 2023

9.7. ESTABLISHMENT OF NEW DEFERRAL VARIANCE ACCOUNTS

PUC is requesting two new DVA accounts, via the accounting orders attached as Appendix B and Appendix C, to assist with the financial transactions related to its SSG Project (EB-2018-0219/EB-2020-0249). PUC is requesting the first DVA account to satisfy the following condition of the SSG ICM approval.

> *"PUC Distribution shall file all available information on the proposed Project performance metrics that it intends to track, along with proposed targets, in its next rebasing application. This shall include an appropriate metric and targets to symmetrically link the VVO performance of the Project to PUC's allowable ROE for this Project."*

This DVA account will symmetrically link VVO savings to ROE as presented in the draft accounting order attached as Appendix B to Exhibit 2.

PUC is requesting the second DVA account to satisfy the following condition of the SSG ICM approval.

> *"Any EPC Contract liquidated damages resulting from "performance" or "delay" shall be used to reduce the Project capital cost and would be settled at the time of the next rebasing."*

This second DVA account is to link any possible liquidated damages received as a result of the overall project completion with PUC and its third-party contractor. A draft accounting order for this second DVA account is attached as Appendix C.

9.8. DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

For the calculation of proposed rate riders, PUC has utilized the billing determinants arising from the 2023 Load Forecast inclusive of CDM Adjustments, as presented in Table 9-16 below. For more details regarding the 2023 Load Forecast and billing determinants please see Exhibit 3.

Table 9-16: Total Billing Determinants

Rate Class	Customer Numbers	kWh	kW
Residential	30,340	274,738,681	-
General Service < 50 kW	3,400	79,051,528	-
General Service 50 to 4,999 kW	344	221,450,388	547,687
Sentinel Lighting	25	878,528	
Street Lighting	317	193,841	566
Unmetered Scattered Load	8,037	2,459,994	7,200
Total	42,463	578,772,960	555,453

9.9. PROPOSED RATE RIDERS

Consistent with the Model provided by the Board, PUC has calculated the following rate riders to reflect disposition over 12 months:

- Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances (excluding Global Adj. and Account 1580 WMS CBR Class B)
- Rate Rider Calculation for Account 1580 WMS CBR Class B
- Rate Rider Calculation for RSVA - Power - Global Adjustment
- Rate Rider Calculation for Group 2 Accounts
- Rate Rider Calculation for Account 1568 - LRAMVA
- Rate Rider Calculation for Account 1509 – COVID Incremental Expense

Table 9-17: Rate Rider Calculation for Group 1 Deferral / Variance Accounts Balances (excluding Global Adj. and Account 1580 WMS CBR Class B)

Rate Class	Units	kW / kWh / # of Customers	Allocated Group 1 Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL SERVICE CLASSIFICATION	kWh	274,738,681	$ 212,267	0.0008
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	79,051,528	$ 64,107	0.0008
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kW	547,687	$ 183,597	0.3352
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	878,528	$ 695	0.0008
STREET LIGHTING SERVICE CLASSIFICATION	kW	7,200	$ 2,027	0.2815
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	566	$ 191	0.3374
Total			**$ 462,884**	

Table 9-18: Rate Rider Calculation for Account 1580 WMS, sub-account CBR Class B

Rate Class	Units	kW / kWh / # of Customers	Allocated Sub-account 1580 CBR Class B Balance	Rate Rider for Sub-account 1580 CBR Class B
RESIDENTIAL SERVICE CLASSIFICATION	kWh	274,738,681	$ (38,506)	(0.0001)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	79,051,528	$ (11,079)	(0.0001)
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kW	458,921	$ (25,738)	(0.0561)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	878,528	$ (123)	(0.0001)
STREET LIGHTING SERVICE CLASSIFICATION	kW	7,200	$ (345)	(0.0479)
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	566	$ (27)	(0.0480)
Total			**$ (75,818)**	

Table 9-19: Rate Rider Calculation for RSVA - Power - Global Adjustment

Rate Class	Units	kW / kWh / # of Customers	Allocated Global Adjustment Balance	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL SERVICE CLASSIFICATION	kWh	3,364,092	$ (6,924)	(0.0021)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	12,067,162	$ (24,838)	(0.0021)
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kWh	151,116,068	$ (311,046)	(0.0021)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	-	$ -	-
STREET LIGHTING SERVICE CLASSIFICATION	kWh	2,330,282	$ (4,796)	(0.0021)
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	-	$ -	-
Total			**$ (347,605)**	

Table 9-20: Rate Rider Calculation for Group 2 Deferral / Variance Accounts Balances

Rate Class	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	30,340	$ (267,765)	(0.7355)
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	79,051,528	$ (82,192)	(0.0010)
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kW	547,687	$ (234,762)	(0.4286)
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	878,528	$ (937)	(0.0011)
STREET LIGHTING SERVICE CLASSIFICATION	kW	7,200	$ 5,971	0.8293
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	566	$ 99	0.1754
Total			**$ (579,586)**	

Table 9-21 - Rate Rider Calculation for Account 1568 LRAMVA

Rate Class	Units	kW / kWh / # of Customers	Allocated Account 1568 Balance	Rate Rider for Account 1568
RESIDENTIAL SERVICE CLASSIFICATION	kW	274,738,681	$ 44,507	0.0002
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	79,051,528	$ (111,834)	(0.0014)
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	kW	547,687	$ 263,903	0.4819
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	878,528	$ -	-
STREET LIGHTING SERVICE CLASSIFICATION	kW	7,200	$ -	-
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	566	$ -	-
Total			**$ 196,576**	

Table 9-22 - Rate Rider Calculation for Account 1509 COVID-19 Incremental Expense

Rate Class	Units	kW / kWh / # of Customers	Allocated Account 1509 Balance	Rate Rider for Account 1509
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	30,340	$ 246,574	0.6773
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	# of Customers	3,400	$ 60,775	1.4896
GENERAL SERVICE 50 TO 999 KW SERVICE CLASSIFICATION	# of Customers	344	$ 88,669	21.4799
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	# of Customers	25	$ 811	2.7021
STREET LIGHTING SERVICE CLASSIFICATION	# of Customers	8,037	$ 4,239	0.0440
SENTINEL LIGHTING SERVICE CLASSIFICATION	# of Customers	317	$ 698	0.1835
Total			**$ 401,766**	

APPENDIX A

Accounting Order –
Sault Smart Grid_ ICM

PUC Distribution Inc.

2022 ICM Application – The Sault Smart Grid project

EB-2020-0249

Accounting Order

Account 1508 Other Regulatory Assets

Sub-accounts Contributed Capital

February 26, 2020

PUC Distribution Inc. - 2022 ICM Application – The Sault Smart Grid project

Accounting Order – Account 1508 Other Regulatory Assets

PUC shall establish ten (10) variance accounts for the fulfillment of the ICM accounting treatment for the Sault Smart Grid Application with rates effective May 1, 2022. The following is a list of the 10 accounts with their descriptions. There are four additional accounts being requested for the treatment of capital contributions received from NRCan.

1) Account 1508 Other Regulatory Assets, Sub-account Incremental Capital Expenditures
This account shall be used to record actual ICM capital amounts, subject to the assets being used or useful (i.e. in service)

2) Account 1508 Other Regulatory Assets, Sub-account ICM Carrying Charges
Carrying charges calculated based on the actual revenue requirement associated with the approved ICM shall be recorded in this sub account. Carrying charges shall be calculated using simple interest applied to the opening balances in the account and shall be recorded monthly in a sperate carrying charges sub-account f this account. The interest rate shall be the rate prescribed by the Board.

3) Account 1508 Other Regulatory Assets, Sub-account ICM Depreciation Expense
This account shall be used to record the depreciation expense associated with the eligible capital amounts recorded in Account 1508 Other Regulatory Assets, Sub-account Incremental Capital Expenditures.

4) Account 1508 Other Regulatory Assets, Sub-account Accumulated Depreciation
This account shall be credited with the amounts charged to Account 1508 Other Regulatory Assets, Sub-account Depreciation Expense.

5) Account 1508 Other Regulatory Assets, Sub-account ICM Rate Rider Revenue
Amounts recorded in this account shall include the actual rate rider revenues collected in relation to the Board-approved rate riders determined for the ICM project.

6) Account 1508 Oth9er Regulatory Assets, Sub-account ICM Rate Rider Carrying Charges

This account shall be used to record the carrying charges that apply to Account 1508 Other Regulatory Assets, Sub-account ICM Rate Rider Revenues. Carrying charges shall be calculated using simple interest applied to the opening balances in the account and shall be recorded monthly in a sperate carrying charges sub-account f this account. The interest rate shall be the rate prescribed by the Board.

7) Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue – Contributed Capital

This account shall be used to record the amount received in contributed capital from NRCan funding for the ICM capital project.

8) Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue Carrying Charges

This account shall be used to record the carrying charges on Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue – Contributed Capital. Carrying charges shall be calculated using simple interest applied to the opening balances in the account and shall be recorded monthly in a sperate carrying charges sub-account f this account. The interest rate shall be the rate prescribed by the Board.

9) Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue Amortization

This account shall be used to record revenue associated with the amortization of the Deferred Revenue received for the NRCan grant.

10) Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue Accumulated Amortization

This account shall be credited with the amounts charged to Account 1508 Other Regulatory Assets, Sub-account Deferred Revenue Amortization.

A sample of the accounting entries has been provided in Appendix 1 below.

Appendix 1: ICM Accounting Entries

	OEB #	Sub #	DESCRIPTION	Debit	Credit
2022	1508	1	Other Regulatory Assets - Sub-account Incremental Capital Expenditures	-	
	2055		Construction Work in Progress		-
	1508	2	Other Regulatory - Sub-account ICM Capital Expenditures Carrying Charges	-	
	1525		Misc Deferred Debits/Credits		-
	1508	3	Other Regulatory - Sub-account "ICM Depreciation Expense"	-	
	1508	4	Other Regulatory - Sub-account "Accumulated Depreciation"		-
	1100		Cash/Accounts Recievable	-	
	1508	5	Other Regulatory - Sub-account "ICM Rate Riders		-
	1525		Misc Deferred Debits/Credits	-	
	1508	6	Other Regulatory - sub-account "ICM Rate Rider Carrying Charges"		-
	1110		A/R	-	
	1508	7	Other Regulatory – Sub-account “Deferred Revenue – Contributed Capital”		-
	1525		Misc Deferred Debits/Credits	-	
	1508	8	Other Regulatory - Sub-account "Deferred Revenue -Carrying Charges"		-
	1508	10	Other Regulatory – Sub-account “Deferred Revenue – Accumulated Amortization”	-	
	1508	9	Other Regulatory - Sub-account "Deferred Revenue Amortization"		-

	OEB #	Sub #	DESCRIPTION	Debit	Credit
2023	1600-1999		1606-1990 PP&E Accounts1	-	
	1508	1	Other Regulatory Assets - Sub-account Incremental Capital Expenditures		-
	5705		Depreciation Expense	-	
	1508	3	Other Regulatory - Sub-account "ICM Depreciation Expense"		-
	1508	4	Other Regulatory - Sub-account "Accumulated Depreciation"	-	
	2105		Accumulated Depreciation		-
	1508	5	Other Regulatory - Sub-account "ICM Rate Riders	-	
	4080		Distribution Revenue		-
	1508	8	Other Regulatory - Sub-account "Deferred Revenue -Carrying Charges"	-	
	1508	6	Other Regulatory - sub-account "ICM Rate Rider Carrying Charges"	-	
	1525		Misc Deferred Debits/Credits	-	
	1508	2	Other Regulatory - Sub-account ICM Capital Expenditures Carrying Charges		-
	1508	9	Other Regulatory - Sub-account "Deferred Revenue Amortization"	-	
	4245		Government and Other Assistance Directly Credited to Income		-
	2105		Accumulated Depreciation	-	
	1508	10	Other Regulatory – Sub-account “Deferred Revenue – Accumulated Amortization”		-

APPENDIX B

Accounting Order - Sault Smart Grid_Voltage/VAR Optimization Linkage to Return on Equity

PUC Distribution Inc.

2023 Cost of Service Application – Sault Smart Grid Project Voltage / VAR Optimization Linkage to Return on Equity

EB-2022-0059

Accounting Order

Account 1508 Other Regulatory Assets

Sub-accounts Incremental VVO Savings or Costs

August 31, 2022

PUC Distribution Inc. - 2023 Cost of Service Application – Sault Smart Grid Project VVO Linkage to ROE

Accounting Order – Account 1508 Other Regulatory Assets

As part of the Ontario Energy Board's ("OEB") decision on the Sault Smart Grid project (EB-2018-0219/EB-2020-0249) ("SSG"), PUC Distribution Inc. ("PUC") was required to file all available information on the proposed SSG performance metrics that it intends to track, along with proposed targets, in its next rebasing application. The OEB required PUC to include an appropriate metric and targets to symmetrically link the Voltage / VAR Optimization ("VVO") performance of SSG to PUC's allowable Return on Equity ("ROE") for this Project. PUC is proposing to do this through the use of a 1508 – Other Regulatory Assets Sub Account where it shares in 50% of the costs and savings to customers. The following describes the calculation that links VVO % savings to ROE and the corresponding sample journal entries for the sharing of incremental savings or costs to customers.

VVO Link to ROE

The following steps, as outlined in Table 1, details the methodology PUC will use to calculate the revised net benefit to customers based on actual annual consumption savings and actual year COP.

Table 1 Scenarios Calculating Customer Net Benefit[1]

	Top of Dead Band	Bottom of Dead Band	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Measured (estimate) VVO Consumption Savings	16,324,838	14,327,652	13,350,394	16,822,310	782,551	29,750,110
PUC Annual Consumption	604,623,538	606,565,655	607,598,147	603,161,981	603,161,981	603,161,981
PUC Consumption without SSG (projection from LF)	620,948,376	620,893,307	620,948,541	619,984,291	603,944,531	632,912,091
% Savings	2.70%	2.36%	2.20%	2.79%	0.13%	4.93%
PUC Cost of Power Paid	$ 69,302,488	$ 69,302,488	$ 69,302,488	$ 69,302,488	$ 69,302,488	$ 69,302,488
Avg $/kWh	0.1146	0.1143	0.1141	0.1149	0.1149	0.1149
PUC Cost of Power Paid without SSG consumption savings	$ 71,173,655	$ 70,939,478	$ 70,825,230	$ 71,235,348	$ 69,392,402	$ 72,720,735
Customer Energy Savings ($)	$ 1,871,167	$ 1,636,990	$ 1,522,742	$ 1,932,860	$ 89,914	$ 3,418,247
Dollar Savings from Loss Factor consumption reduction (Appendi	$ 79,664	$ 79,664	$ 79,664	$ 79,664	$ 79,664	$ 79,664
Total purchased power savings	**$ 1,950,831**	**$ 1,716,654**	**$ 1,602,406**	**$ 2,012,524**	**$ 169,578**	**$ 3,497,911**
Additional revenue from increased SSG asset base	$ 1,755,460	$ 1,755,460	$ 1,755,460	$ 1,755,460	$ 1,755,460	$ 1,755,460
Benefit of reduced capital expenditures witth SSG	($304,390)	($304,390)	($304,389)	($304,388)	($304,388)	($304,388)
Additional O & M expenses due to SSG implementation	$ 296,400	$ 296,400	$ 296,400	$ 296,400	$ 296,400	$ 296,400
Operating efficiency benefits due to SSG implementation	($30,816)	($30,816)	($30,816)	($30,816)	($30,816)	($30,816)
Change In Revenue Requirement	$ 1,716,654	$ 1,716,654	$ 1,716,655	$ 1,716,656	$ 1,716,656	$ 1,716,656
Annual net benefit to customers	$ 234,177	-$ 0	-$ 114,249	$ 295,868	-$ 1,547,078	$ 1,781,255

1 – These numbers are for illustration purposes only. The actual amount will vary given the VVO kWh savings from year to year.

First, PUC will measure VVO consumption (kWh) savings on an annual basis. The methodology for calculating VVO savings is being developed by in collaboration with PUC's SSG contractor which will be used as an input. The very top line of Table 1 shows assumption of what that input might be for the purposes of this calculation and the VVO linkage to ROE. These consumption savings are added back to PUC's actual total consumption in each year to determine the resulting VVO savings as a percentage. This is shown in the top four rows of Table 1 above.

Next, the actual cost of power paid each year is divided by the actual consumption to obtain and average cost per kWh. This average cost per kWh is multiplied by PUC's consumption without VVO savings to get the COP customer would have paid in absence of the VVO savings. The methodology then must be adjusted for PUC's loss factor. As such, the calculation compares the approved loss factor to PUC's actual loss factor. As outlined in PUC's SSG Project ICM Application (EB-2018-0219/2020-0249) in Appendix AA14, it was noted that a reduction in loss factor would occur as a result of the SSG project. PUC will use Appendix AA14 yearly to input the additional dollar savings from loss factor.

The final step is to review the revenue requirement calculation for SSG included in rates. The benefit of reduced future capital expenditures, as described in EB-208-0219/2020-0249 is $234,177 in each year moving forward. Additional O&M expenses of $296,400 and operating efficiency savings of $30,816 are also factored in, resulting in a total cost to customers (through rates). The calculated energy savings from VVO in the first step is compared to the calculated costs through revenue requirement of the SSG Project. The difference is the net benefit/(disadvantage) to customers.

Considering that the COP will fluctuate on a yearly basis, PUC proposes a band where the breakeven point, (i.e., $0 savings to customers) as a percentage is the low end of the band, with the upper limit being 2.70% or $234,177 VVO savings.

This methodology is illustrated in Table 1, with the second column showing the VVO savings target of 2.70%, the high end of the dead band, and the third column showing the lower end of dead band (i.e., customer breakeven) at 2.36% VVO savings. This ensures customers will receive a no net bill increase.
Only when the VVO consumption savings in a year are outside of the established dead band (2.36% to 2.70%), is a DVA entry triggered. Below the dead band, incremental costs to rate payers are shared 50/50 between ratepayers and PUC. Above the dead band, incremental savings to ratepayers are shared 50/50

between ratepayers and PUC. Scenario 1 shows a VVO savings of 2.20%, which results in incremental costs to customer of $114,249. PUC proposes to share 50/50 in those costs, causing a credit of $57,124 to the new DVA account. Scenario 2 shows a VVO savings of 2.79%, which results in incremental savings to customers of $295,868. The dollar value of VVO savings at the top end of the dead band ($234,177) is subtracted from this, resulting in $61,692 that is shared 50/50 with ratepayers and PUC. This creates a debit entry to the new DVA account for $30,846. Table 2 below shows the accounting entries for the DVA account for scenarios 1-4 in Table 1 above.

Table 2 – Accounting Entries for Scenarios 1-4[1]

Journal Entry				
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**
4080 Distribution Revenue	$57,124		$773,539	
1508 Other Regulatory Assets, Sub-account Incremental SSG Costs	$57,124		$773,539	
to record the reduction in savings to PUC customers.				
1508 Other Regulatory Assets, Sub-account Incremental SSG Costs		$30,846		$773,539
4080 Distribution Revenue		$30,846		$773,539
to record the reduction in savings to PUC customers.				

1 – These numbers are for illustration purposes only. The actual amount will vary given the VVO kWh savings from year to year.

1) Account 1508 Other Regulatory Assets, Sub-account Incremental SSG Costs

This account shall be used to record incremental SSG costs to customers when the VVO percentage savings multiplied by the cost of power results in an amount that is less than zero dollars savings to customers. The costs that are below zero dollars will be shared 50/50 between ratepayers and PUC.

2) Account 1508 Other Regulatory Assets, Sub-account Incremental VVO Savings

This account shall be used to record incremental VVO savings to customers when the dollar savings is more than two times the VVO dollar savings at 2.70%. The savings that are above this threshold will be shared 50/50 between ratepayers and PUC.

3) Account 1508 Other Regulatory Assets, Sub-account Incremental VVO Costs or Savings Carrying Charges

Carrying charges calculated on the year end balance shall be recorded in this sub account. Carrying charges shall be calculated using simple interest applied to the opening balances in the account and shall be recorded monthly in a separate carrying charges sub account. The interest rate shall be the rate prescribed by the Board.

A sample of the accounting entries has been provided in Appendix 1 below.

Appendix 1: 1508 Other Regulatory Assets – Incremental VVO Costs or Savings Journal Entries

1508 Other Regulatory Assets – Incremental VVO Costs or Savings	$XX	
4080 Distribution Revenue		$XX
To record the incremental savings to customers		
4080 Distribution Revenue	$XX	
1508 Other Regulatory Assets – Incremental VVO Costs or Savings		$XX
To record the incremental costs to customers		

APPENDIX C

Accounting Order – Sault Smart Grid_EPC Contract Liquidated Damages

PUC Distribution Inc.

2023 Cost of Service Application – Sault Smart Grid Project Liquidated Damages

EB-2022-0059

Accounting Order

Account 1508 Other Regulatory Assets

Sub-accounts SSG EPC Contract Liquidated Damages

August 31, 2022

PUC Distribution Inc. - 2023 Cost of Service Application – Sault Smart Grid Project Liquidated Damages

Accounting Order – Account 1508 Other Regulatory Assets

As part of the Ontario Energy Board's ("OEB") decision on the Sault Smart Grid project (EB-2018-0219/EB-2020-0249) ("SSG"), the OEB found that in order to manage the risks associated with SSG and appropriately monitor its progress, the OEB approval was subject to the following condition:

> *"Any EPC Contract liquidated damages resulting from "performance" or "delay" shall be used to reduce the project capital cost and would be settled at the time of the next rebasing."*

No liquidated damages were calculated as of the time of rebasing. This account is intended to ensure the liquidated damages, if any, will be applied so as to reduce project capital costs prior to the next rebasing application. PUC will record the difference in revenue requirement associated with the SSG included in base distribution rates less the revenue requirement associated with the SSG once adjusted to reflect any liquidated damages actually received. The adjustment will occur on the earlier of December 31, 2023 or the date liquidated damages are actually received in accordance with applicable accounting standards. Depending on the timing of settling this liability, the amount may be estimated and further updated once a final amount is received. The following describes the sub account and sample journal entries for the new account.

1) Account 1508 Other Regulatory Assets, Sub-account SSG EPC Contract Liquidated Damages

This account shall be used to record the change in revenue requirement as a result of the decrease in net book value of Sault Smart Grid Assets from liquidated damages received.

2) Account 1508 Other Regulatory Assets, Sub-account SSG EPC Contract Liquidated Damages Carrying Charges

Carrying charges calculated on the year-end balance shall be recorded in this sub account. Carrying charges shall be calculated using simple interest applied to the opening balances in the account and shall be recorded monthly in a separate carrying charges sub account. The interest rate shall be the rate prescribed by the Board. between ratepayers and PUC.

A sample of the accounting entry associated with liquidated damages is presented below.

4080 Distribution Revenue	$XX	
1508 – Other Regulatory Assets – SSG EPC Contract Liquidated Damages		$XX

To record the associated difference in revenue requirement from liquidated damages received.