

EXHIBIT 9 – DEFERRAL & VARIANCE ACCOUNTS

2024 Cost of Service

Orangeville Hydro Limited

EB-2023-0045

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9.0 DEFERRAL AND VARIANCE ACCOUNTS

1 Exhibit 9 provides a description of all Group 1 and Group 2 deferral and variance accounts
2 currently established for use by OHL. It outlines OHL’s proposal with respect to
3 (a) the continuance or discontinuance and closure of the account,
4 (b) the balances being brought forward for disposal in this application, and
5 (c) any new deferral or variance accounts to be established for use during the 5-year
6 period covered by this application.
7

9.1 DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

8
9 OHL is applying to dispose of Group 1 and Group 2 account balances as of December 31,
10 2022. Group 2 accounts are typically only disposed of during a Cost of Service (“CoS”) filing and
11 many of the current Group 2 accounts will no longer be required. Further details, including
12 forecast assumptions, are provided in the section below.
13

14 OHL proposes to dispose of a debit of \$1,671,395.12 related to Group 1 Retail Settlement
15 Variance Accounts (“RSVA”) and credit of \$(45,709.87) related to Group 2 Variance/Deferral
16 Accounts. This includes carrying charges up to and including April 30, 2024. OHL confirms that
17 all deferral and variance account (“DVA”) balances as of December 31, 2022, were audited
18 through OHL’s annual financial statement audit. The audited financial statements have been
19 filed as part of this application in Exhibit 1 Appendices. OHL’s 2021 Group 1 accounts were last
20 approved for disposition on an interim basis as part of hearing EB-2022-0056. OHL is proposing
21 to recover the Group 1 and Group 2 DVA balances over a 12-month period.
22

23 OHL applies the accrual method in calculating carrying charges, which is in accordance with the
24 OEB’s directive. The forecasted interest on December 31, 2022, principal balances of the DVA
25 is calculated using the OEBs prescribed rates.
26

27 A complete continuity schedule for all DVAs, including Sub-Accounts, can be found in the live
28 excel format submitted in Appendix 9-A DVA Continuity Schedule. Any balances prior to 2017
29 are reflected in the opening principal amount as of January 1, 2017, as the OEB model was not
30 able to reflect any balances prior to this date.
31

OHL confirms all accounts in Group 1 and Group 2 are accounted for in accordance with the Accounting Procedure Handbook. Additionally, OHL confirms that transactions recorded in Account 1518 and Account 1548 follow Article 490, Retail Services and Settlement Variances. OHL confirms that there are no accounts that have been used differently than as described in the APH, or another OEB document.

OHL confirms it has not made any adjustments to deferral and variance account balances that were previously approved by the Board on a final basis either in a CoS or IRM proceedings.

OHL confirms that it has used interest rates established by the OEB on a quarterly basis and the most recent posted interest rate should be used for any future periods. The table below shows the interest rates that have been used since 2014:

Table 9-1 – OEB Prescribed Interest Rates

	Year	Q1	Q2	Q3	Q4
1	2014	1.47%	1.47%	1.47%	1.47%
2	2015	1.47%	1.10%	1.10%	1.10%
3	2016	1.10%	1.10%	1.10%	1.10%
4	2017	1.10%	1.10%	1.10%	1.50%
5	2018	1.50%	1.89%	1.89%	2.17%
6	2019	2.45%	2.18%	2.18%	2.18%
7	2020	2.18%	2.18%	0.57%	0.57%
8	2021	0.57%	0.57%	0.57%	0.57%
9	2022	0.57%	1.02%	2.20%	3.87%
10	2023	4.73%	4.98%	4.98%	5.49%

9.1.1 DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

On July 31, 2009, the Board issued its Report on Electricity Distributors' Deferral and Variance Account Review Initiative ("EDDVAR"). The EDDVAR Report sets out the policy framework for the review and disposition of deferral and variance accounts for electricity distributors.

For definitions of each account listed below, please refer to the Accounting Procedure Handbook using the following link:

[Accounting Procedures Handbook Electricity Distributors 20120101 \(oeb.ca\)](https://www.oeb.ca/Accounting-Procedures-Handbook-Electricity-Distributors-20120101)

OHL confirms that it is allocating all DVAs using an OEB-approved allocator.

1 Below is a summary of the principal, carrying charges and proposed disposition amounts for all
2 active Group 1 Deferral and Variance Account Balances as of December 31, 2022, including the
3 reason for not claiming disposition.

4 **Table 9-2 – Summary of Deferral and Variance Account Balances – Group 1 December 31,**
5 **2022**

Account	Name	Principal Balance	Carrying Charges	Disposition Proposal	Year of Previous Disposition	Continuance	Reason for \$0 claim
1550	LV Variance Account	\$ 536,064.50	\$ 43,276.80	\$ 579,341.31	2021	Yes	
1551	Smart Metering Entity Charge Variance Account	\$ (35,521.79)	\$ (2,782.76)	\$ (38,304.55)	2021	Yes	
1580	RSVA - Wholesale Market Service Charge	\$ 561,271.91	\$ 45,519.82	\$ 606,791.73	2021	Yes	
1580	Variance WMS – Sub-account CBR Class A	\$ -	\$ -	\$ -	2021	Yes	
1580	Variance WMS – Sub-account CBR Class B	\$ (23,643.54)	\$ (2,025.40)	\$ (25,668.94)	2021	Yes	
1584	RSVA - Retail Transmission Network Charge	\$ 149,562.51	\$ 13,387.08	\$ 162,949.59	2021	Yes	
1586	RSVA - Retail Transmission Connection Charge	\$ 44,039.57	\$ 4,256.09	\$ 48,295.65	2021	Yes	
1588	RSVA - Power (excluding Global Adjustment)	\$ 281,961.22	\$ 25,771.14	\$ 307,732.37	2019	Yes	
1589	RSVA - Global Adjustment ⁴	\$ 622.61	\$ 29,429.84	\$ 30,052.46	2019	Yes	
1595	Disposition and Recovery/Refund of Regulatory Balances (2019)	\$ -	\$ 205.50	\$ 205.50	n/a	No	
1595	Disposition and Recovery/Refund of Regulatory Balances (2020)	\$ 4,844.52	\$ 3,799.86	\$ -	n/a	Yes	Rate rider expiry period not met
1595	Disposition and Recovery/Refund of Regulatory Balances (2021)	\$ (22,279.96)	\$ 1,670.59	\$ -	n/a	Yes	Rate rider expiry period not met
1595	Disposition and Recovery/Refund of Regulatory Balances (2022)	\$ 314,524.65	\$ 32,065.71	\$ -	n/a	Yes	Rate rider expiry period not met
Total Group 1 accounts		\$ 1,811,446.21	\$ 194,574.28	\$ 1,671,395.12			

6

7

8 **Table 9-3 – Summary of Deferral and Variance Account Balances – Group 2 December 31,**
9 **2022**

Account	Name	Principal Balance	Carrying Charges	Disposition Proposal	Year of Previous Disposition	Continuance	Reason for \$0 claim
1508	Deferred IFRS Transition Costs	\$ 146,808.69	\$ 31,935.93	\$ 178,744.62	n/a	No	
1508	Pole Attachment Revenue Variance	\$ (164,939.93)	\$ (16,320.73)	\$ (181,260.66)	n/a	Yes	
1508	Green Button Initiative Costs	\$ 326.05	\$ 27.65	\$ -	n/a	Yes	Balance is not at materiality
1508	Other Regulatory Assets, Sub-account OEB Cost Assessment Va	\$ (124,032.00)	\$ (14,958.63)	\$ (138,990.63)	n/a	Yes	
1508	Other Regulatory Assets, Sub-account Energy East Consultation	\$ 1,470.94	\$ 267.96	\$ 1,738.90	n/a	No	
1518	Retail Cost Variance Account - Retail	\$ 231,201.99	\$ 31,077.09	\$ 262,279.08	2014	Yes	
1548	Retail Cost Variance Account - STR	\$ 652.96	\$ 84.56	\$ 737.52	2014	Yes	
1592	PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account below)	\$ 2,697.54	\$ 1,506.38	\$ 4,203.92	n/a	Yes	
1592	PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	\$ (135,955.00)	\$ (9,346.91)	\$ (145,301.91)	n/a	Yes	
1555	Smart Meter Capital and Recovery Offset Variance - Sub-Account	\$ (7,267.96)	\$ (499.67)	\$ (7,767.63)	n/a	No	
1576	Accounting Changes Under CGAAP Balance + Return Component	\$ (20,093.07)	\$ -	\$ (20,093.07)	n/a	No	
Total Group 2 accounts		\$ (69,129.79)	\$ 23,773.61	\$ (45,709.87)			

10

11

12 **9.1.1.1 DISPOSITION OF GROUP 1 ACCOUNTS**

13 Table 9-2 – Summary of Deferral and Variance Account Balances – Group 1 December 31,
14 2022 above shows OHL’s planned action for the Group 1 accounts in 2024.

15

16 **Account 1550 – LV Variance Account**

17 The LV account is used to record the variances arising from low voltage transactions which are
18 not part of the electricity wholesale market.

19

1 For account 1550, OHL is requesting disposition of the December 31, 2022, audited balance,
2 plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance
3 reconciles with filing 2.1.7 of the RRR.

4
5 The balance requested for disposal, including forecasted carrying charges, is a debit of
6 \$579,341.31.

7
8 **Account 1551 - Smart Metering Entity Charge Variance Account**

9 The Smart Metering Entity Charge Variance Account is used to record the difference between
10 the SMC paid to the SME and amounts charged to customers.

11
12 For account 1551, OHL is requesting disposition of the December 31, 2022, audited balance,
13 plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance
14 reconciles with filing 2.1.7 of the RRR.

15
16 The balance requested for disposal, including forecasted carrying charges, is a credit of
17 \$(38,304.55).

18
19 **Account 1580 – Wholesale Market Service Charges (“RSVAWMS”)**

20 RSWAWMS is used to record the amount charged by the Independent Electricity System
21 Operator (“IESO”), based on the monthly settlement invoice, for the operation of the IESO
22 administered markets and the operation of the IESO - controlled including accruals and the
23 amount billed to customers using the Board-approved Wholesale Market Service Rate, including
24 accruals.

25
26 For account 1580, OHL is requesting disposition of the December 31, 2022, audited balance,
27 plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance
28 reconciles with filing 2.1.7 of the RRR. Under 2.1.7 RRR, Account 1580 was filed with no
29 breakdown for the sub-accounts CBR Class A and CBR 15 Class B, whereas this breakdown is
30 provided in the continuity schedule.

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32 The balance requested for disposal, including forecasted carrying charges, is a debit of
33 \$606,791.73.

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Account 1584 – Retail Transmission Network Charges 1 (“RSVANW”)

RSVANW is used to record the difference between the amount of retail transmission connection costs paid to the IESO or host distributor and the amounts billed to customers for retail transmission network costs. These amounts are calculated on an accrual basis, as are the carrying charges, which are assessed on the monthly opening principal balance of this RSVA account.

For account 1584, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for disposal, including forecasted carrying charges is a debit of \$162,949.59.

Account 1586 – Retail Transmission Connection Charges (“RSVACN”)

RSVACN is used to record the difference between the amount of retail transmission connection costs paid to the IESO or host distributor and the amounts billed to customers for retail transmission connection costs. These amounts are calculated on an accrual basis, as are the carrying charges, which are assessed on the monthly opening principal balance of this RSVA account.

For account 1586, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for disposal, including forecasted carrying charges, is a debit of \$48,295.65.

9.1.1.2 DISPOSITION OF GROUP 2 ACCOUNTS

Table 9-3 – Summary of Deferral and Variance Account Balances – Group 2 December 31, 2022 shows OHL’s planned action for the Group 2 accounts in 2024.

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1508 – Other Regulatory Assets – Green Button Initiative

As outlined in the Board letter dated November 1, 2021, the OEB approved a generic deferral account for distributors to record the incremental costs directly attributable to the implementation of the Green Button Initiative, in a manner that accords with the requirements set out in the Green Button Regulation.

Effective November 1, 2022, OHL established the 1508 sub-account for Green Button incremental costs and has tracked amounts referred to in the Regulation up to December 31, 2022.

OHL notes that the debit balance of \$353.70 for sub-account 1508: *Green Button Initiative* does not meet the materiality threshold as of December 31, 2022. As such, OHL is not seeking disposition of this account in the current application but may request disposition in a future rebasing application. The sub-account will be continued following the current application, as the Green Button Initiative is ongoing.

1508 – Other Regulatory Assets – Deferred IFRS Transition Costs

A distributor shall use this account to record one-time administrative incremental IFRS transition costs, which are not already approved and included for recovery in distribution rates. In the 2014 application EB-2013-0160, OHL did not request disposition of this account. The main costs incurred in this account were consultant costs to assist with the transition from CGAAP to IFRS. OHL has completed Appendix 2-YA in the OHL Chapter 2 Appendices.

For account 1508 – Deferred IFRS Transition Costs, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for final disposal, including forecasted carrying charges is a debit of \$178,744.62.

Table 9-4 – 1508 – Deferred IFRS Transition Costs Variance

Account 1508 Deferred IFRS	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal	109,809	134,809	146,809	146,809	146,809	146,809	146,809	146,809	146,809
Interest	5,520	6,869	8,428	10,190	12,877	16,176	18,195	19,031	21,843
Total	115,328	141,677	155,237	156,999	159,685	162,985	165,003	165,840	168,652

OHL requests that this account be closed upon approval of the 2022 balance.

1508 – Other Regulatory Assets– Sub-account OEB Cost Assessment Variance

This account was established for electricity distributors and transmitters to record any material differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model effective April 1, 2016.

Regulated entities are to cease recording amounts in these accounts when their rates, payment amounts or fees (as applicable) are rebased/reset (cost of service or custom IR) incorporating an updated forecast of cost assessments.

For account 1508 – Sub-account OEB Cost Assessment Variance, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for final disposal, including forecasted carrying charges is a credit of \$(138,990.63).

Table 9-5 – 1508 – OEB Cost Assessment Variance

Account 1508 OEB Cost Assessment	2016	2017	2018	2019	2020	2021	2022
Principal	(13,456)	(30,563)	(50,984)	(70,204)	(88,791)	(109,017)	(124,032)
Interest	(62)	(340)	(1,116)	(2,500)	(3,565)	(4,133)	(6,431)
Total	(13,518)	(30,903)	(52,100)	(72,704)	(92,356)	(113,150)	(130,463)

1508 – Other Regulatory Assets – Sub-account Energy East Consultation Costs

On June 13, 2014, the Board established this deferral account to record the Energy East Pipeline Project consultation costs.

1 For account 1508 – Sub-account Energy East Consultation Costs, OHL is requesting disposition
2 of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024.
3 The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

4
5 The balance requested for final disposal, including forecasted carrying charges is a debit of
6 \$1,738.90.

7 **Table 9-6 – 1508 – Energy East Consultation Costs Variance**

Account 1508 Energy East	2015	2016	2017	2018	2019	2020	2021	2022
Principal	1,471	1,471	1,471	1,471	1,471	1,471	1,471	1,471
Interest	16	32	50	77	110	130	139	167
Total	1,487	1,503	1,521	1,548	1,581	1,601	1,610	1,638

8
9 OHL requests that this account be closed upon approval of the 2022 balance.

10
11 **1555 – Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter**
12 **Costs**

13 As outlined in the Board letter dated January 16, 2007, the OEB approved a deferral account for
14 distributors in relation to the funding of, and the recovery of costs associated with smart meter
15 activities conducted by electricity distributors.

16
17 On June 25, 2008, the Government of Ontario enacted regulations under the Electricity Act,
18 1998 (O. Reg. 233/08 and O. Reg. 235/08) and the Ontario Energy Board Act, 1998 (O. Reg.
19 234/08) with respect to smart meter activity. These regulations amended pre-existing
20 regulations pertaining to smart metering.

21
22 The Board noted that the installation of smart meters meant that older meters would be retired
23 earlier than planned and that the costs associated with retired meters would not have been fully
24 depreciated. Therefore, distributors would be at risk of not recovering the costs of stranded
25 meters.

26
27 Accordingly, the Board approved the use of a new account to record the stranded costs
28 associated with the conventional or accumulation meters removed at the time of installation of
29 smart meters.

1 Specifically, distributors were directed to record stranded meter costs in a new sub account of
2 account: *Smart Meter Capital and Recovery Offset Variance Account 1555, sub-account*
3 *Stranded Meter Costs*. The stranded meter costs are defined as the pooled residual net book
4 value cost of removed meters, less any net sale proceeds when received.

5

6 OHL set up two sub-accounts in 1555 to track i.) stranded meter costs and ii.) approved
7 recovery of stranded meter costs. The table below presents the total stranded costs
8 calculations, as well as the stranded meter costs recovered. This amount has been recovered,
9 with a small remaining balance at the end of 2022.

Table 9-7 – 1555 - Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs

15550: Stranded Meter Rate Rider			
	Total Capital	Less: Industrial	Stranded Meters
2011 Capital Cost	1,807,989.54	274,610.04	1,533,379.50
2011 Accumulated Amortization	- 1,146,442.02	- 66,433.52	- 1,080,008.50
2011 Net Book Value	661,547.52	208,176.52	453,371.00
Less 2012 Amortization			- 42,666.00
Less 2013 Amortization			- 37,306.00
2013 Net Book Value			373,399.00
	Residential	GS <50	Total
# 2014 of Forecasted Customers	10,325	1,141	11,466
Allocation of Meter Costs - 2010 CA Model	68.94%	31.06%	100.00%
Stranded Asset by Class	257,421	115,978	373,399
Stranded Meter Rate Rider by Class	2.08	8.47	
Stranded Meter Rate Rider by Class over 2 Year Recovery	1.04	4.24	
Balance on GL December 31, 2013			370,375.96
Write off balance to 43800			3,023.04
Total Balance May 1, 2014			373,399.00
Recoveries To December 31, 2014			(126,701.23)
Balance December 31, 2014			246,697.77
Recoveries to December 31, 2015			(190,617.20)
Balance December 31, 2015			56,080.57
Recoveries to December 31, 2016			(64,187.64)
Balance December 31, 2016			(8,107.07)
Recoveries to December 31, 2017			761.06
Balance December 31, 2017			(7,346.01)
Recoveries to December 31, 2018			78.05
Balance December 31, 2018			(7,267.96)

For account **1555 – Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs**, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for final disposal, including forecasted carrying charges is a credit of \$(7,767.63).

OHL requests that this account be closed upon approval of the 2022 balance.

1576 – Accounting Changes Under CGAAP Balance + Return Component

The Board issued a letter on July 17, 2012, providing direction to electricity distributors that had chosen to defer the adoption of IFRS and remain on CGAAP. The letter mandated IFRS compliant capitalization and depreciation accounting changes as of January 1st, 2013. The Board also established Account 1576 which allowed electricity distributors to record the financial differences that arose as a result of the accounting changes. The Board issued another letter on June 25, 2013, which required a rate of return to be applied to the balance of 1576 upon its disposition in rates. Below is the amount that was approved in EB-2013-0160 to be recovered from customers. This amount has been recovered, with a small remaining balance at the end of 2022.

Table 9-8 – 1576 – Original 1576 Disposition Calculation

	Total
Amounts Approved EB-2013-0160	(733,347.74)
Return on Rate Base	(208,079.00)
	(941,426.74)

For account **1576 – Accounting Changes Under CGAAP Balance + Return Component**, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for final disposal, including forecasted carrying charges is a credit of \$(20,093.07).

Table 9-9 – 1576 – Accounting Changes Under CGAAP Balance + Return Component

Account 1576	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal	(615,869)	(433,177)	(249,430)	(69,088)	122,891	187,977	187,986	187,986	187,986
Interest	(27,744)	(69,360)	(110,975)	(152,591)	(194,207)	(208,079)	(208,079)	(208,079)	(208,079)
Total	(643,613)	(502,537)	(360,405)	(221,679)	(71,316)	(20,102)	(20,093)	(20,093)	(20,093)

1
2 OHL requests that this account be closed upon approval of the 2022 balance.
3

4 9.1.1.3 DISPOSITION OF ACCOUNTS 1588 AND 1589

5 The OEB released guidance on February 21, 2019, entitled “Accounting Guidance related to
6 Accounts 1588 Power, and 1589 Global Adjustment.” The Accounting Guidance was effective
7 January 1, 2019, and was to be implemented by August 31, 2019. OHL confirms that it is in full
8 compliance with the Accounting Guidance and the processes were implemented effective
9 January 1, 2019.
10

11 OHL was last approved final disposition of accounts 1588 and 1589 for 2016 in its 2020 IRM
12 application (EB-2019-0060). OHL was last approved an interim disposition of accounts 1588
13 and 1589 for 2017 to 2020 balances in its 2021 IRM application (EB-2020-0046).
14

15 In the Decision and Order for OHL’s previous rate application proceeding EB-2020-0046 the
16 Decision and Order stated:

17 *The OEB has repeatedly raised concerns Account 1588 and Account 1589 balances in each of*
18 *Orangeville Hydro’s last three rate proceedings. While the OEB is satisfied that the 2017 to*
19 *2019 balances appear reasonable, and is ordering disposition of them on an interim basis*
20 *accordingly, the OEB also acknowledges the numerous internal control matters and the*
21 *potential impact that any additional internal control deficiencies may have on the accuracy of*
22 *these balances.*

23 *As a result of these concerns, the OEB referred this matter to the OEB’s Inspection &*
24 *Enforcement department for the consideration of a review of Orangeville Hydro’s internal*
25 *controls and associated accounting practices relating to Account 1588 and Account 1589.*
26

27 The inspection began in December 2021 and concluded in September 2023.
28

29 The objective of the inspection was to examine the balances of Orangeville Hydro’s Accounts
30 1588 and 1589 and determine whether:
31

- 1 • The balances in Accounts 1588 and 1589 for the period from January 1, 2017 to
2 December 31, 2020 comply with the relevant legislation, and were accounted for in
3 accordance with the OEB’s Accounting Procedures Handbook and the Accounting
4 Guidance issued in 2019.
- 5 • There were any significant internal control issues that may have on the balances of
6 Accounts 1588 and 1589 for the period from January 1, 2017 to December 31, 2020.

7
8 I&E staff reviewed Orangeville Hydro’s procedures, systems, and controls with respect to the
9 tracking, recording, calculating, and reporting of the balances in accounts 1588 and 1589.

10 I&E staff also interviewed key Orangeville Hydro staff and reviewed the supporting documents
11 such as IESO invoices, customer billing data, settlement calculations and accounting records in
12 conducting the inspection.

13
14 As a result of the inspection, OEB staff provided an inspection report noting their findings. OHL
15 confirms that the necessary adjustments included in the inspection report are consistent with the
16 DVA Continuity Schedule included with this application. OHL also confirms that it will continue to
17 follow the Accounting Guidance to ensure the accuracy of IESO Submissions and reporting to
18 the OEB for the balances of accounts 1588 and 1589.

19 The Inspection report has been included in Appendix 9-D – Report of Inspection of Group 1
20 Deferral and Variance Accounts 1588 and 1589.

21
22 **1589 – Retail Settlement Variance Account – Global Adjustment (“RSVAGA”)**

23 The RSVAGA account is used to record the net differences between the global adjustment
24 amount billed to non-RPP consumers and the global adjustment charge to a distributor for non-
25 RPP consumers, using the settlement invoice received from the IESO, host distributor or
26 embedded generator. These amounts are calculated on an accrual basis, as are the carrying
27 charges, which are assessed on the monthly opening principal balance of this RSVA account.
28 The RSVAGA is designed for the global adjustment rates applicable to non-RPP customers.
29 The disposition of the account balance should be attributable exclusively to non-RPP
30 customers.

1 For account 1589, OHL is requesting disposition of the December 31, 2022, audited balance,
2 plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance
3 reconciles with filing 2.1.7 of the RRR.
4 The balance requested for disposal, including forecasted carrying charges is a debit of
5 \$30,052.46, which does not reconcile with the 2022 2.1.7 RRR amounts. As shown in the table
6 below, OHL has made the following principal adjustments in the amount of (\$727,408) related to
7 the CT148 true-up from 2017-2022. OHL is requesting final disposition of the balances to
8 December 31, 2020, as these balances were included in the OEB inspection.
9

1

Table 9-10 – 2017-2022 1589 RSVA Global Adjustment Principal Adjustments

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
2017	<i>Reversals of prior approved principal adjustments (auto-populated from table above)</i>		
	1		
	2		
	3 Add current year end unbilled to actual revenue - 2016	(182,255)	2016
	4 Long Term load transfer that took place in 2016 but was billed in	130,953	2017
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	(51,302)	
2017	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	(415,220)	2020
	2 Unbilled to actual revenue differences		
	3		
	4 Remove impact of Class A receivable from IESO - Bill customers	(388,178)	2017
	5		
	6		
	7 GA amount from IESO bill was posted to 1588 but should have	196,392	2020
	8 Class A correction paid in 2018	251,646	2018
	Total Current Year Principal Adjustments	(355,360)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	(406,661)	

2

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
2018	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of prior year CT-148 true-up of GA Charges based on actual Non-RPP volumes		
	2 Reversal of Unbilled to actual revenue differences		
	3 Reversal of Class A correction paid in 2018	(251,646)	2018
	4 Reversal of wrong CT 148 true-up relating to 2017 in the 2018 GL	784,240	2020
	5 Reversal of wrong CT 148 true-up relating to 2016 in the 2018 GL	21,304	2020
	6		
	7		
	8		
	Total Reversal Principal Adjustments	553,899	
2018	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	(849,609)	2020
	2 Unbilled to actual revenue differences		
	3 Reversal of wrong CT 148 2018 True-up of GA Charges posted in	827,750	2020
	4 2018 Short Term load transfer paid in 2019 never accrued		
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	(21,859)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	532,040	

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
2019	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of prior year CT-148 true-up of GA Charges based on		
	2 Reversal of Unbilled to actual revenue differences		
	3		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	-	
2019	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	(87,052)	2020
	2 Unbilled to actual revenue differences		
	3 Removal of Power/GA true up	20,196	2020
	4		
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	(66,856)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	(66,856)	

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of prior year CT-148 true-up of GA Charges based on	(69,244)	2020
	2 Reversal of Unbilled to actual revenue differences		
	3		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	(69,244)	
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	(605,187)	2021
	2 Unbilled to actual revenue differences		
	3		
	4 Remove CT 148 true-up of GA charges currently in GL	304,017	
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	(301,170)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	(370,414)	

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
2021	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of prior year CT-148 true-up of GA Charges based on		
	2 Reversal of Unbilled to actual revenue differences		
	3		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	-	
2021	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	\$ (317,903)	2022
	2 Unbilled to actual revenue differences		
	3 Customer moved from non-RPP to RPP	\$ (97,613)	
	4		
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	(415,516)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	(415,516)	

Account 1589 - RSVA Global Adjustment			
Year	Adjustment Description	Amount	Year Recorded in GL
2022	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of prior year CT-148 true-up of GA Charges based on		
	2 Reversal of Unbilled to actual revenue differences		
	3		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	-	
2022	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual Non-RPP volumes	-	
	2 Unbilled to actual revenue differences		
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	7		
	8		
	Total Current Year Principal Adjustments	-	
	Total Principal Adjustments to be Included on DVA Continuity	-	

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Details of principal adjustments can also be found in Appendix 9-B GA Analysis Workform.

GA Analysis Workform

OHL has undertaken and completed the GA Analysis Workform with this application for the years of 2017 to 2022. For each year, the Unresolved Difference as percentage of Expected GA Payments to IESO is below 1%.

Table 9-11 - GA Analysis Workform 1589 GA Yearly Summary

Year	Annual Net Change in Expected GA Balance from GA Analysis	Net Change in Principal Balance in the GL	Reconciling Items	Adjusted Net Change in Principal Balance in the GL	Unresolved Difference	\$ Consumption at Actual Rate Paid	Unresolved Difference as % of Expected GA Payments to IESO
2017	\$ 287,833	\$ 695,800	\$ (408,681)	\$ 289,138	\$ 21,305	\$ 10,483,487	0.2%
2018	\$ (36,067)	\$ (594,197)	\$ 532,040	\$ (62,157)	\$ (26,089)	\$ 7,345,875	-0.4%
2019	\$ 222,039	\$ 305,961	\$ (66,856)	\$ 239,104	\$ 17,066	\$ 7,951,555	0.2%
2020	\$ 66,190	\$ 377,958	\$ (326,811)	\$ 51,147	\$ (15,043)	\$ 7,553,541	-0.2%
2021	\$ (131,240)	\$ 326,671	\$ (415,516)	\$ (88,845)	\$ 42,395	\$ 5,398,102	0.8%
2022	\$ 88,361	\$ 38,736	\$ 20,807	\$ 59,543	\$ (28,818)	\$ 3,544,845	-0.8%
Cumulative Balance	\$ 477,115	\$ 1,150,929	\$ (662,997)	\$ 487,931	\$ 10,816	\$ 42,277,406	N/A

1588 – Retail Settlement Variance Account – Power (“RSVA-Power”)

The RSVA-Power account is to be used to record the net differences in energy costs using the settlement invoice received from the IESO, host distributor, or embedded generator and the amounts billed to customers for energy. These amounts are calculated on an accrual basis, as are the carrying charges, which are assessed on the monthly opening principal balance of this RSVA account. The RSVA power account is designed to capture variances due to billing and timing differences (i.e., electricity charged by the IESO to LDCs vs electricity billed by LDCs to their customers), price and quantity differences (i.e., arising from final vs preliminary IESO settlement invoices), and line loss differences (i.e., actual vs estimate line loss factors). This account is not designed to capture any price differences between the regulated price plan (“RPP”) and spot prices applicable to RPP customers. Accordingly, since the RSVA power account is generic to all customers of an LDC, disposition of the account balance in rates is attributable to all its customers.

For account 1588, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for final disposal, including forecasted carrying charges is a debit of \$307,732.37, which does not reconcile with the RRR. As shown in the table below, OHL has made the following principal adjustments in the amount of \$318,635 related to the CT148 and 1142/142 true-ups from 2017- 2022. OHL is requesting final disposition of the balances to December 31, 2020, as these balances were included in the OEB inspection.

1

Table 9-12 – 2017-2022 1588 RSVA Power Principal Adjustments

Account 1588 - RSVA Power				
Year	Adjustment Description	Amount	Year Recorded in GL	
2017	<i>Reversals of prior approved principal adjustments (auto-populated from table above)</i>			
	1			
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	Total Reversal Principal Adjustments		-	
2017	<i>Current year principal adjustments</i>			
	1	CT 148 true-up of GA Charges based on actual RPP volumes	415,220	2020
	2	CT 1142/142 true-up based on actuals	(149,896)	2020
	3	Unbilled to actual revenue differences		
	4	GA amount from IESO bill was posted to 1588 but should have been posted	(196,392)	2020
	5			
	6	Power portion of Class A correction paid to IESO in 2018	363,288	2018
	7	Remove year end adjustment that was posted but never claimed	(349,315)	2017
	8			
	Total Current Year Principal Adjustments		82,905	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model		82,905	

2

Account 1588 - RSVA Power				
Year	Adjustment Description	Amount	Year Recorded in GL	
2018	<i>Reversals of prior year principal adjustments</i>			
	1	Reversal of CT 148 true-up of GA Charges based on actual RPP volumes		
	2	Reversal of CT 1142/142 true-up based on actuals		
	3	Reversal of Unbilled to actual revenue differences		
	4	Reversal of Power portion of Class A correction paid to IESO in 2018	(363,288)	2018
	5	Reversal of year end adjustment that was posted but never claimed	349,315	2018
	6			
	7			
	8			
	Total Reversal Principal Adjustments		(13,973)	
2018	<i>Current year principal adjustments</i>			
	1	CT 148 true-up of GA Charges based on actual RPP volumes	849,609	2020
	2	Reversal of CT 1142/142 true-up based on actuals	178,771	2020
	3	Unbilled to actual revenue differences		
	4	Reversal of 2016-2018 wrong CT148/CT1142 True-ups in 2018 GL	(1,706,736)	2020
	5	Customer overbilled due to incorrect meter multiplier	82,726	2019
	6			
	7			
	8			
	Total Current Year Principal Adjustments		(595,630)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model		(609,603)	

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
2019	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of CT 148 true-up of GA Charges based on actual RPP volumes		
	2 Reversal of CT 1142/142 true-up based on actuals		
	3 Reversal of Unbilled to actual revenue differences		
	4 Reverse customer overbilled due to incorrect meter multiplier	(82,726)	2019
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	(82,726)	
2019	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes	87,052	2020
	2 Reversal of CT 1142/142 true-up based on actuals	(279,718)	2020
	3 Unbilled to actual revenue differences		
	4 Removal of previously calculated GA/RPP true up	(20,196)	2020
	5		
	6 Reversal of CT 1142 originally posted in GL in 2019	357,206	2019
	7		
	8		
	Total Current Year Principal Adjustments	144,344	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	61,618	

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
2020	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of CT 148 true-up of GA Charges based on actual RPP volumes		2020
	2 Reversal of CT 1142/142 true-up based on actuals		
	3 Reversal of Unbilled to actual revenue differences		
	4 Adjustment to CT 1142 for 2017-2019-This will need to be adjusted to a	424,499	2020
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	424,499	
2020	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes	605,187	2023
	2 Reversal of CT 1142/142 true-up based on actuals	41,850	
	3 Unbilled to actual revenue differences		
	4 Remove CT 148 true-up of GA charges currently in GL	(304,017)	
	5 Remove CT 11142 true-up currently in GL	(344,093)	
	6		
	7		
	8		
	Total Current Year Principal Adjustments	(1,072)	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	423,427	

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
2021	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of CT 148 true-up of GA Charges based on actual RPP volumes		
	2 Reversal of CT 1142 true-up based on actuals		
	3 Reversal of Unbilled to actual revenue differences		
	4 Underbilled customer due to wrong meter multiplier	42,385	2,023
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	42,385	
2021	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes	317,903	2,022
	2 CT 1142 true-up based on actuals		
	3 Unbilled to actual revenue differences		
	4		
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	317,903	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 - IRM Rate Generator Model	360,288	

Account 1588 - RSVA Power			
Year	Adjustment Description	Amount	Year Recorded in GL
2022	<i>Reversals of prior year principal adjustments</i>		
	1 Reversal of CT 148 true-up of GA Charges based on actual RPP volumes		
	2 Reversal of CT 1142 true-up based on actuals		
	3 Reversal of Unbilled to actual revenue differences		
	4		
	5		
	6		
	7		
	8		
	Total Reversal Principal Adjustments	-	
2022	<i>Current year principal adjustments</i>		
	1 CT 148 true-up of GA Charges based on actual RPP volumes		
	2 CT 1142 true-up based on actuals		
	3 Unbilled to actual revenue differences		
	4		
	5		
	6		
	7		
	8		
	Total Current Year Principal Adjustments	-	
	Total Principal Adjustments to be Included on DVA Continuity Schedule/Tab 3 -	-	

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Details of principal adjustments can also be found in Appendix 9-A GA Analysis Workform.

1 **GA Analysis Workform**

2 For Account 1588, the Cumulative variance for Account 1588 as a percentage of Account 4705
3 for years 2017-2022 is 0.3%. OHL completed the reasonability test for the balance in Account
4 1588 in the following table. This is well below the 1% threshold.

5
6 **Table 9-13 - GA Analysis Workform 1588 Energy Yearly Summary**

Year	Account 1588 as a % of Account 4705
2017	0.8%
2018	-1.5%
2019	1.6%
2020	1.0%
2021	0.3%
2022	-0.3%
Cumulative Balance	0.3%

7
8
9 2018 and 2019 were both outside the threshold, but they are offsetting. In 2018 and 2019, OHL
10 was transitioning to calendar billing, and it is believed that this was the cause of those
11 variances.

12
13 The table below reconciles Account 1588 and 1589 balances at December 31, 2020 in the
14 Continuity Schedule with the Summary of Inspection Adjustments at December 31, 2020.

Table 9-14 – Reconciliation of DVA Continuity Schedule and OEB Inspection report for Dec 31, 2020 balances

Account 1588		
Year	Closing Principal Balance as of Dec-31-20	Closing Interest Amounts as of Dec-31-20
Continuity Schedule	\$314,023	\$16,735
OEB Inspection Report	\$309,637	\$16,735
Difference (immaterial)	\$4,386	\$0
Account 1589		
Year	Closing Principal Balance as of Dec-31-20	Closing Interest Amounts as of Dec-31-20
Continuity Schedule	\$473,631	\$40,766
OEB Inspection Report	\$473,631	\$40,768
Difference (immaterial)	\$0	-\$2

9.1.2 DISPOSITION OF CBR CLASS B VARIANCE

OHL is requesting disposition of Account 1580 sub-account CBR Class B in accordance with the CBR Accounting Guidance.

OHL has recorded Capacity Based Recovery (“CBR”) costs and revenues separately for Class A and Class B customers in the respective Account 1580 subaccounts. CBR Class A is disposed of based on the customer’s Peak Demand Factor (“PDF”) and, therefore, there is no variance in Account 1580 – Sub Account CBR Class A customers.

There were 2 customers that transitioned between Class A and Class B during the period that the 2022 CBR Class B variance accumulated.

Sheet 6.2a of the DVA Continuity Schedule model calculates the portion of the CBR amount that pertains to the customers for the period in 2021 that they were Class B. The total amount to be allocated to the two transitioning customers is (\$650) and (\$497).

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For account 1580 CBR Class B, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for final disposal, including forecasted carrying charges, is a credit of (\$25,668.94).

9.1.2.1 DISPOSITION OF CBR CLASS A VARIANCE

The OEB has noted in the Filing Requirements that Class A customers pay Global Adjustment on an 'actual' basis; therefore, no variance accumulates in Account 1589 related to Class A customers once they become Class A customers.

OHL is not requesting disposition of Account 1580 sub-account CBR Class A, as per the OEB's Accounting Guidance. The balance of the account is \$0 as of December 31, 2022.

9.1.3 DISPOSITION OF ACCOUNT 1595

When approval for disposition of DVA balances is received from the OEB, the approved amounts of principal and carrying charges are transferred to Account 1595 for that rate year. Applicants are expected to request disposition of residual balances in Account 1595 Sub-accounts for each vintage year once and on a final basis. Distributors become eligible to seek disposition of these residual balances two years after the expiry of the rate rider.

OHL is seeking to dispose of the balance of its 2019 1595 accounts as part of this application (included in the Group 1 account summary) as it meets the criteria below:

- May 1 rate year – If 2019 rate riders expire on April 30, 2020, the balance of sub-account 1595 (2019) is eligible to be disposed after the account balance as of December 31, 2022 has been audited. Therefore, sub-account 1595 (2019) would be eligible for disposition in the 2024 rate year.

1 The balance requested for final disposal, including forecasted carrying charges, is a debit of
2 \$205.50. OHL is not proposing disposing of an immaterial residual balance, so has not
3 quantified significant drivers of the residual balance.
4 OHL requests that this sub-account 1595 (2019) be closed upon approval of the 2022 balance.
5

6 9.1.4 DISPOSITION OF RETAIL SERVICE CHARGES

7 Retail services refer to services provided by a distributor to a retailer or retailer customer related
8 to the supply of competitive electricity as set out in the Retail Settlement Code (“RSC”). OHL
9 records revenues received from retailers for retail-related services in two accounts:
10

- 11 a) 4082 – Retailer Services Revenues which contain the revenues derived from
12 establishing service agreements, distributor-consolidated billing, and retailer
13 consolidated billing.
- 14 b) 4084 – STR Revenues which contain the revenues derived from the Service Transaction
15 Request services such as request fee, processing fee, information request fee, default
16 fee, and other associated costs fee.

17
18 As per the Filing Requirements:

- 19 1. OHL confirms that all costs incorporated into the variances reported are incremental to
20 providing the retail services.
- 21 2. The driver of these costs is due to customers contracted with retailers.
22

23 Table 9-15 provides a schedule identifying all revenue and expenses listed by USoA account
24 numbers that are incorporated into the variances recorded in Account 1518 and 1548.
25

26 OHL has followed the provisions of Article 490, Retail Services and Settlement Variances of the
27 APH for Accounts 1518 and 1548. To keep LDC’s whole, the OEB has authorized the use of
28 USoA accounts 1518 and 1548 to record the differences between the revenues collected from
29 retailers for services provided and the incremental costs of providing those services.
30

31 Although Chapter 2 of the Board’s Filing Requirements for Electricity Distribution Rate
32 Applications states that the distributor may forecast a balance up to the effective date of its new

1 rates with reasonable accuracy, OHL is only requesting disposition of balances to December 31,
2 2022.

3
4

Table 9-15 – Account 1518 and 1548 Transactions by Year

	USoA	Opening Balance	2014	2015	2016	2017	2018	2019	2020	2021	2022	Projected Interest	Disposition Total
Principal													
Retailer revenues	4082		\$ (13,831)	\$ (12,927)	\$ (11,641)	\$ (9,821)	\$ (8,809)	\$ (12,643)	\$ (14,960)	\$ (14,505)	\$ (14,606)		
Incremental Expenses	5315		\$ 32,503	\$ 30,618	\$ 30,939	\$ 37,218	\$ 39,258	\$ 40,702	\$ 43,958	\$ 38,093	\$ 34,416		
RCVA Retail	1518	\$ 17,241	\$ 18,672	\$ 17,691	\$ 19,298	\$ 27,397	\$ 30,449	\$ 28,059	\$ 28,997	\$ 23,588	\$ 19,809		\$231,201.99
STR revenues	4084		\$ (263)	\$ (180)	\$ (177)	\$ (126)	\$ (110)	\$ (162)	\$ (130)	\$ (106)	\$ (92)		
Incremental Expenses	5315		\$ 272	\$ 249	\$ 191	\$ 193	\$ 188	\$ 197	\$ 228	\$ 173	\$ 205		
RCVA STR	1548	\$ 100	\$ 10	\$ 69	\$ 15	\$ 67	\$ 78	\$ 35	\$ 98	\$ 67	\$ 114		\$652.96
Carrying Charges													
RCVA Retail	1518		\$ 192	\$ 501	\$ 670	\$ 981	\$ 2,031	\$ 3,175	\$ 2,258	\$ 1,111	\$ 4,263	\$ 15,895	\$ 31,077
RCVA STR	1548		\$ 1	\$ 2	\$ 2	\$ 3	\$ 5	\$ 8	\$ 5	\$ 3	\$ 11	\$ 45	\$ 85

5
6

1518 - Retail Cost Variance Account – Retail

8 This account is used to record the revenue derived, including accruals from establishing service
9 agreements, distributor-consolidated billing, and retailer consolidated billing. The account also
10 includes incremental costs of entering into service agreements, and related contract
11 administration, monitoring, necessary to maintain the contract, as well as incremental costs
12 incurred to provide the services as applicable and the avoided costs credit arising from retailer-
13 consolidated billing, including accruals. The yearly increase in 1518 is not material, but over the
14 course of 10 years does add up to a disposition total of \$231,201.99.

15

16 For account 1518 - **Retail Cost Variance Account – Retail**, OHL is requesting final disposition
17 of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024.

18 The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

19 The balance requested for disposal, including forecasted carrying charges is a debit of
20 \$262,279.08.

21

Table 9-16 – Account 1518 – Retail Cost Variance Account

Account 1518	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal	35,913	53,604	72,903	100,300	130,749	158,808	187,805	211,393	231,202
Interest	192	693	1,363	2,343	4,375	7,550	9,808	10,919	15,182
Total	36,105	54,297	74,265	102,643	135,123	166,357	197,613	222,312	246,384

22
23

1548 – Retail Cost Variance Account – STR

25 This account is used to record the revenues derived, including accruals, from the Service
26 Transaction Request services and charged by the distributor, in the form of a request fee,
27 processing fee, information request fee, default fee, and other associated costs. The account
28 also includes the incremental cost of labour, internal information system maintenance costs, and

1 delivery costs related to the provision of the services associated with the service transaction
2 request services.

3
4 For account 1548 - **Retail Cost Variance Account – STR**, OHL is requesting final disposition of
5 the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024.

6 The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

7 The balance requested for disposal, including forecasted carrying charges is a debit of \$737.52.

8 **Table 9-17 – Account 1548 – Retail Cost Variance Account - STR**

Account 1548	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal	110	179	194	261	340	374	472	539	653
Interest	1	3	5	7	12	20	26	28	40
Total	111	182	199	269	352	395	498	567	693

9
10
11 **9.1.5 DISPOSITION OF ACCOUNT 1592**

12 **1592 – PILs and Tax Variances for 2006 and Subsequent Years**

13 For the rate years starting May 1, 2006 (or as approved by the Board), the distributor shall use
14 this account to record the tax impact of any specific differences that are not reflected in the
15 distributor’s rates. This account was disposed of in the 2014 application EB-2013-0160, this is
16 the remaining balance in the account.

17
18 For account **1592 – PILs and Tax Variances for 2006 and Subsequent Years**, OHL is
19 requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest
20 through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of
21 the RRR.

22
23 The balance requested for final disposal, including forecasted carrying charges is a debit of
24 \$4,203.92.

25 **Table 9-18 – 1592 – PILS and Tax Variances**

1592 PILS	2014	2015	2016	2017	2018	2019	2020	2021	2022
Principal	16,810	2,909	2,698	2,698	2,698	2,698	2,698	2,698	2,698
Interest	1,321	1,321	1,321	1,321	1,321	1,321	1,321	1,321	1,321
Total	18,131	4,230	4,018	4,018	4,018	4,018	4,018	4,018	4,018

1 **1592 – PILs and Tax Variances for 2006 and Subsequent Years – Sub-account CCA**
2 **Changes**

3 On July 25, 2019, the OEB released a letter “*Accounting Direction Regarding Bill C-97 and*
4 *Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance*” stating that
5 for the purposes of increased transparency, the OEB is establishing a separate sub-account
6 specifically for the purposes of tracking the impact of changes in CCA rules. Electricity
7 distributors are to use this sub-account for the impact of the Bill C-97 CCA rule changes as well
8 as any future CCA changes instituted by relevant regulatory or taxation bodies. OHL has
9 complied with the direction provided in that letter, through recording the impacts of CCA rule
10 changes introduced in Bill C-97, since November 21, 2018, in Account 1592 – PILs and Tax
11 Variances – CCA Changes.

12
13 As part of this application, OHL has reflected the impacts of Bill C-97 in its calculation of PILS
14 for the 2023 Test Year and as a result will not need to record amounts related to Bill C-97 in the
15 future, as the impacts have been appropriately reflected in the 2023 revenue requirement. OHL
16 does request that this account remain open to record subsequent changes that impact the tax
17 rates underpinning OHL’s 2024 PILs component of distribution revenue, including the expected
18 phase out of accelerated CCA beginning in 2024.

19
20 For support for 2018 to 2022 Schedule 8 undepreciated capital cost continuity, please see
21 Appendix 6-C to Appendix 6-G.

22
23 For the accelerated CCA calculations for 2020 through 2022, please refer to Appendix 9-C
24 Accelerated CCA Calculations.

25
26 For account **1592 – Sub-account CCA Changes**, OHL is requesting final disposition of the
27 December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The
28 December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

29 The balance requested for disposal, including forecasted carrying charges is a credit of
30 \$(145,301.91).

Table 9-19 – 1592 – PILS and Tax Variances – CCA Changes

1592 PILS CCA	2018	2019	2020	2021	2022
Principal		(43,213)	(70,937)	(94,397)	(135,955)
Interest	-	-	-	-	-
Total	-	(43,213)	(70,937)	(94,397)	(135,955)
Variance		(43,213)	(27,724)	(23,460)	(41,558)
Calculated PILS	(11,230)	(25,426)	(27,724)	(23,460)	(41,558)
Cumulative Calculated PILS	(11,230)	(36,656)	(64,380)	(87,840)	(129,398)

Account 1592 amounts related to any ICM/ACM would have been included in this account, if this had been applicable.

9.1.6 DISPOSITION OF ACCOUNT 1509 IMPACTS ARISING FROM COVID-19 EMERGENCY

OHL did not have costs arising from the Covid-19 emergency that met materiality requirements. These costs were expensed.

9.1.7 DISPOSITION OF ACCOUNT 1508, SUB ACCOUNT POLE ATTACHMENT REVENUE VARIANCE

In a letter dated July 20, 2018, the OEB stated:

“The OEB has set a new province-wide wireline pole attachment charge of \$43.63 per pole per year effective January 1, 2019. The new charge will apply to all local distribution companies (LDCs) that have not received OEB approval for a distributor-specific pole attachment charge. As a transitional measure, to help mitigate the impact of the increase from the current charge of \$22.35 to the new charge of \$43.63, LDCs without a distributor-specific charge will charge a province-wide pole attachment charge of \$28.09 per pole per year effective from September 1, 2018 until December 31, 2018. The pole attachment charge will be adjusted annually based on the OEB’s inflation factor commencing on January 1, 2020.”

OHL’s pole attachment rate underpinning its rates was set as part of its 2014 CoS application EB-2013-0160 at \$22.35 per year per pole).

The excess incremental revenue recorded in the variance account is to be refunded to ratepayers in the next cost of service application.

Outlined in the table below are the calculations used and the resultant incremental revenue by year since September 1, 2018.

Table 9-20 - Account 1508 Pole Attachment Revenue Calculation

Year	OHL 2014 COS \$	Price Charged (\$)	Incremental Charge (\$)	No. of Poles	Incremental Revenue (\$)
2018	22.35	28.09	5.74	1714	(3,279)
2018	unreconciled				(1,759)
2019	22.35	43.63	21.28	1890	(40,219)
2019	22.35	28.09	5.74	188	(1,079)
2020	22.35	44.5	22.15	1890	(41,864)
2020	22.35	43.63	21.28	188	(4,001)
2021	22.35	44.5	22.15	2047	(45,341)
2022	22.35	44.5	22.15	178	(3,943)
2022	22.35	34.76	12.41	1890	(23,455)
Total as of Dec 2022					(164,940)

For account 1508 – Pole Attachment Revenue Variance, OHL is requesting disposition of the December 31, 2022, audited balance, plus the forecasted interest through April 30, 2024. The December 31, 2022, audited balance reconciles with filing 2.1.7 of the RRR.

The balance requested for disposal, including forecasted carrying charges is a credit of \$(181,260.66).

Table 9-21 – 1508 – Pole Attachment Revenue Variance

Account 1508 Pole Attachment	2018	2019	2020	2021	2022
Principal	(5,039)	(46,337)	(92,201)	(137,542)	(164,940)
Interest	(14)	(534)	(1,368)	(2,012)	(4,981)
Total	(5,052)	(46,871)	(93,569)	(139,554)	(169,921)

9.1.8 DISPOSITION OF DISTRIBUTOR-SPECIFIC ACCOUNTS

OHL does not have any Distributor Specific Accounts that require disposition.

9.2 ESTABLISHMENT OF NEW DEFERRAL AND VARIANCE ACCOUNTS

1 OHL is not requesting the establishment of new DVA accounts at this time.

2
3 OHL is proposing the following sub-accounts be established for use during the 5-year period
4 covered by this Application, including the Test Year and the subsequent years covered under
5 the proposed Price Cap IR Plan:

- 6 • Account 1595 – Sub Account (2022) – Rate Rider for Disposition of Deferral/Variance
7 Accounts (2022) – Effective until April 30, 2025

8
9 OHL applied the following criteria for the establishment of new deferral and variance accounts
10 from the Filing Requirements for Electricity Distribution Rate Applications:

- 11 • Causation – The forecasted expense must be clearly outside of the base upon which
12 rates were derived.
- 13 • Materiality – The forecasted amounts must exceed the materiality threshold.
- 14 • Prudence – The nature of the costs and forecasted quantum must be reasonably
15 incurred.

16
17 OHL will continue to monitor OEB directives and implement new accounts as set out by the
18 OEB and identified in the Accounting Procedures Handbook or other sources of information, as
19 required.

21 9.3 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT

22 In EB-2022-0056, OHL requested disposition of its LRAMVA as well as a prospective LRAM
23 based on the Filing Requirements for 2023 IRM Applications dated May 24, 2022. OHL is not
24 requesting disposition for any LRAM/LRAMVA amounts in this application.

26 9.4 PROPOSED RATE RIDERS

27 OHL has included all relevant calculations embedded in the 2024 DVA Continuity Schedule EB-
28 2023-0045 Workform and has not proposed any billing determinants that are different from the
29 OEB standards. OHL is proposing to dispose of these balances over a period of one year. The
30 rate rider calculations are calculated in the OEB's DVA Continuity Schedule Workform and are
31 outlined in the tables below.

9.4.1 RATE CLASS ALLOCATION

OHL has allocated amounts by each specific rate class based on the criteria listed below. Billing determinants and customer counts used are consistent with the Load Forecast data (Exhibit 3) and Cost of Power Calculation (Exhibit 2).

Table 9-22 – Rate Class Allocation

Account Name	Account #	Allocator
LV Variance Account	1550	kWh
Smart Metering Entity Charge Variance Account	1551	# of Customers
RSVA - Wholesale Market Service Charge	1580	kWh
RSVA - Retail Transmission Network Charge	1584	kWh
RSVA - Retail Transmission Connection Charge	1586	kWh
RSVA - Power (excluding Global Adjustment)	1588	kWh
RSVA - Global Adjustment	1589	Non-RPP kWh
Disposition and Recovery/Refund of Regulatory Balances (2009)	1595	%
Total Group 1 accounts above (excluding 1589)		
Deferred IFRS Transition Costs	1508	kWh
Pole Attachment Revenue Variance	1508	Distribution Rev.
Retail Service Charge Incremental Revenue	1508	# of Customers
Retail Cost Variance Account - Retail	1518	# of Customers
Retail Cost Variance Account - STR	1548	# of Customers
Total of Group 2 Accounts		
PILs and Tax Variance for 2006 and Subsequent Years (excludes sub-account and contra account)	1592	kWh
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	kWh
Total of Account 1592		
Smart Meter Capital and Recovery Offset Variance - Sub-Account - Stranded Meter Costs	1555	kWh
Variance WMS - Sub-account CBR Class B (separate rate rider if Class A Customers)	1580	kWh
Accounting Changes Under CGAAP Balance + Return Component	1576	kWh

9.4.2 RATE RIDER CALCULATION

The following section details the recovery for each grouping in accordance with both the minimum filing requirements and Rate Design Policy. All relevant calculations are embedded in Appendix 9-A DVA Continuity Schedule.

Table 9-23 – Group 1 Deferral / Variance Rate Riders (excl. GA)

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance (excluding 1589)	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL SERVICE CLASSIFICATION	kWh	93,562,278	\$ 575,811	0.0062
GENERAL SERVICE LESS THAN 50 KW	kWh	34,272,791	\$ 220,239	0.0064
GENERAL SERVICE 50 TO 4,999 KW SE	kW	313,259	\$ 401,698	1.2823
SENTINEL LIGHTING SERVICE CLASSIFI	kW	278	\$ 652	2.3479
STREET LIGHTING SERVICE CLASSIFICA	kW	2,462	\$ 5,800	2.3561
UNMETERED SCATTERED LOAD SERVI	kWh	370,613	\$ 2,418	0.0065

Table 9-24 – Group 1 Deferral / Variance Rate Riders (excl. GA) – NON-WMP

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 1 Balance - Non-WMP	Rate Rider for Deferral/Variance Accounts
RESIDENTIAL SERVICE CLASSIFICATION	kWh	93,562,278	\$ -	-
GENERAL SERVICE LESS THAN 50 KW	kWh	34,272,791	\$ -	-
GENERAL SERVICE 50 TO 4,999 KW SE	kW	307,803	\$ 460,393	1.4957
SENTINEL LIGHTING SERVICE CLASSIFI	kW	278	\$ -	-
STREET LIGHTING SERVICE CLASSIFICA	kW	2,462	\$ -	-
UNMETERED SCATTERED LOAD SERVI	kWh	370,613	\$ -	-

Table 9-25 – Rate Rider for Account 1580, sub account CBR Class B

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Sub-account 1580 CBR Class B Balance	Rate Rider for Sub-account 1580 CBR Class B
RESIDENTIAL SERVICE CLASSIFICATION	kWh	93,562,278	-\$ 17,622	- 0.0002
GENERAL SERVICE LESS THAN 50 KW	kWh	34,272,791	-\$ 6,455	- 0.0002
GENERAL SERVICE 50 TO 4,999 KW SE	kW	57,869	-\$ 186	- 0.0032
SENTINEL LIGHTING SERVICE CLASSIFI	kW	278	-\$ 19	- 0.0678
STREET LIGHTING SERVICE CLASSIFICA	kW	2,462	-\$ 166	- 0.0676
UNMETERED SCATTERED LOAD SERVI	kWh	370,613	-\$ 70	- 0.0002

Table 9-26 – Rate Rider for RSVA Global Adjustment

Rate Class (Enter Rate Classes in cells below)	Units	kWh	Allocated Global Adjustment Balance	Rate Rider for RSVA - Power - Global Adjustment
RESIDENTIAL SERVICE CLASSIFICATION	kWh	1,082,921	-\$ 434	- 0.0004
GENERAL SERVICE LESS THAN 50 KW	kWh	5,010,335	-\$ 2,007	- 0.0004
GENERAL SERVICE 50 TO 4,999 KW SE	kWh	- 77,165,359	\$ 30,912	- 0.0004
SENTINEL LIGHTING SERVICE CLASSIFI	kWh	-	\$ -	-
STREET LIGHTING SERVICE CLASSIFICA	kWh	722,493	-\$ 289	- 0.0004
UNMETERED SCATTERED LOAD SERVI	kWh	-	\$ -	-

1

Table 9-27 – Rate Rider for Group 2 Accounts

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	11,725	\$ 30,492	\$ 0.22
GENERAL SERVICE LESS THAN 50 KW	kWh	34,272,791	-\$ 20,129	-\$ 0.0006
GENERAL SERVICE 50 TO 4,999 KW SE	kW	313,259	-\$ 84,966	-\$ 0.2712
SENTINEL LIGHTING SERVICE CLASSIFI	kW	278	\$ 2,050	\$ 7.3807
STREET LIGHTING SERVICE CLASSIFICA	kW	2,462	\$ 45,870	\$ 18.6339
UNMETERED SCATTERED LOAD SERVI	kWh	370,613	\$ 1,066	\$ 0.0029

2

3

4

Table 9-28 – Rate Rider for Account 1576

Rate Class (Enter Rate Classes in cells below)	Units	kW / kWh / # of Customers	Allocated Accounts 1575 and 1576 Balances	Rate Rider for Accounts 1575 and 1576
RESIDENTIAL SERVICE CLASSIFICATION	# of Customers	11,725	-\$ 7,158	- 0.0509
GENERAL SERVICE LESS THAN 50 KW	kWh	34,272,791	-\$ 2,622	- 0.0001
GENERAL SERVICE 50 TO 4,999 KW SE	kW	313,259	-\$ 10,210	- 0.0326
SENTINEL LIGHTING SERVICE CLASSIFI	kW	278	-\$ 8	- 0.0275
STREET LIGHTING SERVICE CLASSIFICA	kW	2,462	-\$ 68	- 0.0275
UNMETERED SCATTERED LOAD SERVI	kWh	370,613	-\$ 28	- 0.0001

5

6

APPENDIX 9-A DVA CONTINUITY SCHEDULE

OHL has filed the 2024 OEB DVA Continuity Schedule separately in excel.

APPENDIX 9-B GA ANALYSIS WORKFORM

OHL has filed the 2024 OEB GA Analysis Workform separately in excel.

APPENDIX 9-C ACCELERATED CCA CALCULATIONS

OHL has filed the Accelerated CCA Calculations separately in excel.

APPENDIX 9-D REPORT OF OEB INSPECTION OF GROUP 1 DEFERRAL AND
VARIANCE ACCOUNTS 1588 AND 1589

ONTARIO ENERGY BOARD



Inspection Report

Orangeville Hydro Limited

Inspection of Group 1 Deferral and Variance Accounts 1588 and 1589

September 2023

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1. SUMMARY

The Ontario Energy Board's (OEB) Inspection and Enforcement department (I&E staff) conducted an inspection of Orangeville Hydro Limited's (Orangeville Hydro) Group 1 deferral and variance accounts 1588 (RSVA Power) and 1589 (RSVA Global Adjustment) for the period of January 1, 2017 to December 31, 2020. The inspection assessed Orangeville Hydro's compliance with applicable enforceable provisions under the *Electricity Act, 1998*, the *Ontario Energy Board Act, 1998*, and related regulations. The inspection also considered whether Orangeville Hydro had followed the OEB's Accounting Procedures Handbook (APH), and the 2019 Accounting Guidance for the period of January 1, 2017 to December 31, 2020.

I&E staff made the following findings and observation as detailed in this report.

Findings

1. Orangeville Hydro did not correctly account for CT148 and CT142 for the GA deferral period of April to June 2020 in accounts 1588 and 1589.
2. Orangeville Hydro incorrectly recorded some principal adjustments in the 2017 and 2019 interim disposed balances for accounts 1588 and 1589. As a result, account 1588 interim disposed balance was reduced by a credit adjustment of \$13,414 and account 1589 interim disposed balance was increased by a debit adjustment of \$43,188.
3. Orangeville Hydro self-identified several incorrect 2020 principal adjustments for Account 1588 during the OEB inspection.

Observation:

1. The OEB inspection identified that Orangeville Hydro had several internal control weaknesses in its regulatory accounting and reporting processes prior to its implementation of the 2019 Accounting Guidance retroactively to 2017.

A summary of the adjustments to the balances in accounts 1588 and 1589 as of December 31, 2020 is provided in **Appendix 1**. A complete description of the findings and observation is detailed in **Appendix 2**.

I&E staff expects Orangeville Hydro to make all the identified adjustments to accounts 1588 and 1589 and include the adjustments in the balances brought forward for disposition in its upcoming 2023 rate application.

2. REASON AND AUTHORITY FOR INSPECTION

The inspection was initiated in response to concerns identified in Orangeville Hydro's prior Decisions regarding Account 1588 and Account 1589 balances and internal control deficiencies that may have on the accuracy of these balances.

Specifically, the OEB in its EB-2020-0046 Decision and Order states:

The OEB has repeatedly raised concerns Account 1588 and Account 1589 balances in each of Orangeville Hydro's last three rate proceedings. While the OEB is satisfied that the 2017 to 2019 balances appear reasonable, and is ordering disposition of them on an interim basis accordingly, the OEB also acknowledges the numerous internal control matters and the potential impact that any additional internal control deficiencies may have on the accuracy of these balances.

As a result of these concerns, the OEB referred this matter to the OEB's Inspection & Enforcement department for the consideration of a review of Orangeville Hydro's internal controls and associated accounting practices relating to Account 1588 and Account 1589.

The inspection was conducted under the authority of Part VII of the Ontario Energy Board Act, 1998 (Act) by staff appointed as inspectors under section 106 of the Act.

3. OBJECTIVE AND SCOPE

The objective of the inspection was to examine the balances of Orangeville Hydro's Accounts 1588 and 1589 and determine whether:

- The balances in Accounts 1588 and 1589 for the period from January 1, 2017 to December 31, 2020 comply with the relevant legislation, and were accounted for in accordance with the OEB's Accounting Procedures Handbook and the Accounting Guidance issued in 2019.
- There were any significant internal control issues that may have on the balances of Accounts 1588 and 1589 for the period from January 1, 2017 to December 31, 2020.

4. METHODOLOGY

I&E staff reviewed Orangeville Hydro's procedures, systems, and controls with respect to the tracking, recording, calculating, and reporting of the balances in accounts 1588 and 1589.

I&E staff also interviewed key Orangeville Hydro staff and reviewed the supporting documents such as IESO invoices, customer billing data, settlement calculations and accounting records in conducting the inspection.

APPENDIX 1
SUMMARY OF INSPECTION ADJUSTMENTS TO BALANCES AS OF
DECEMBER 31, 2020

	1588 (\$)	1589 (\$)	
2019 Principal Balance (A)	214,514	407,858	
OEB Approved Final Disposition for 2016 balances in 2020 (B)	68,816	(15,041)	
Interim Disposed Principal Balance in EB-2020-0046 for 2017-2019 (C=A-B)	145,698	422,899	
2020 Transactions (D)	(241,716)	377,958	
2020 Principal Adjustments (E)	(356,929)	(67,570)	
2020 Principal Balance before Inspection (F=C+D+E)	(452,947)	733,287	
Inspection Adjustments			
2017 Principal Adjustments	(21,149)		Finding 2
2019 Principal Adjustments	7,735	43,188	Finding 2
2020 Principal Adjustments	848,998		Finding 3
	(69,244)		Finding 3
	(4,140)		Finding 3
	605,187	(605,187)	Finding 1
	(302,343)	302,343	Finding 1
	(344,310)		Finding 1
	41,850		Finding 1
Total adjustments from the inspection for 2017-2020 (G)	762,584	(259,656)	
Adjusted Principal Balance as of 2020 after Inspection (H=F+G)	309,637	473,631	
Interest Balance as of 2020 (I)	16,735	40,768	
Account Balance as of 2020 (J=H+I)	326,372	514,399	

APPENDIX 2 DETAILED FINDINGS AND OBSERVATION

1. Finding 1

Orangeville Hydro did not correctly account for CT148¹ and CT142² for the GA deferral period of April to June 2020 in accounts 1588 and 1589.

1.1 Basis of Finding

As part of the sample testing for May 2020, I&E staff recalculated the allocations of CT148 between accounts 1588 and 1589 and the amount of CT142 in account 1588 and observed a different set of numbers from what was originally filed in Orangeville Hydro's 2022 rate proceeding.

Upon investigation, I&E staff identified that Orangeville Hydro incorrectly allocated the CT148 based on the adjusted Class B GA amount from the May 2020 invoice between accounts 1588 and 1589, rather than the unadjusted Class B GA amount from the settlement statement which excluded the CT 148 credit for "Non-RPP Class B Deferral Amount as per Emergency Order".

In addition, Orangeville Hydro did not record the full amount of the CT148 credit for "Non-RPP Class B Deferral Amount as per Emergency Order" from the settlement statement in account 1589. Rather, it was incorrectly allocated between accounts 1588 and 1589.

The correct accounting application for the GA deferral period is important as it will ensure that the unadjusted Class B GA amount is appropriately allocated between Account 1588 and Account 1589, and that the credit for the GA deferral is allocated only to non-RPP Class B customers via Account 1589.³

As a result of the corrected CT148 allocation, the impact to account 1589 was a credit adjustment of \$302,844 (i.e., from a credit balance of \$302,343 to a credit balance of \$605,187), and the impact to account 1588 was a debit adjustment of \$302,844 (i.e., from a debit balance of

¹ Class B Global Adjustment settlement amount

² Regulated price plan settlement amount

³ Guidance to Electricity Distributors on Implementing the Emergency Order Regarding the Deferral of a Portion of the Global Adjustment dated May 15, 2020

\$302,343 to a debit balance of \$605,187) for the GA deferral period of April to June 2020. Please refer to Appendix 1 for the inspection adjustments.

In addition, during the GA deferral period, Orangeville Hydro incorrectly used the invoiced GA rate from the adjusted CT148, rather than the unadjusted GA rate in the RPP settlement. As a result, the impact to account 1588 was a credit adjustment of \$302,460 (i.e., from a debit balance of \$344,310 to \$41,850) for the GA deferral period of April to June 2020. Please refer to Appendix 1 for the inspection adjustments.

1.2 Expected Action

Since the 2020 balances for the two accounts have not been disposed of, Orangeville Hydro is expected to make the adjustments to reflect the correct accounting application for the GA deferral period to ensure the correct account balances are provided in its upcoming 2023 rate proceeding.

2. Finding 2

Orangeville Hydro incorrectly recorded some principal adjustments in the 2017 and 2019 interim disposed balances for accounts 1588 and 1589. As a result, account 1588 interim disposed balance was reduced by a credit adjustment of \$13,414 and account 1589 interim disposed balance was increased by a debit adjustment of \$43,188.

2.1 Basis of Finding

1. Orangeville Hydro incorrectly recorded the reversal of a CT 142 true up debit amount of \$21,149 as a 2017 principal adjustment in its 2022 rate application. This adjustment should be removed because the impact of it was included on a net basis in the 2016 principal adjustments that were disposed of as a result of the OEB's Decision and Order in EB-2019-0060 on a final basis. Therefore, no further adjustment is required in 2017. Please refer to Appendix 1 for the reversal adjustment.
2. Orangeville Hydro incorrectly recorded the power and GA components of a short-term load transfer as 2019 principal adjustments in its 2022 rate application. Specifically, the 2019 principal adjustments workform showed a credit adjustment of \$43,188 for Account 1589 and a credit adjustment of \$7,735 for Account 1588 in relation to a short-term load transfer that took place in 2018. However, no principal adjustments for this transaction

should have been recorded as the accrual for the short-term load transfer was reflected in the 2018 general ledger (GL) with payment reflected in the 2020 GL. Please refer to Appendix 1 for the reversal adjustments.

2.2 Expected Action

Orangeville Hydro is expected to make the necessary adjustments to the 2017 and 2019 interim disposed balances and reflect the corrected balances in Accounts 1588 and 1589 in its upcoming 2023 rate proceeding.

3. Finding 3

Orangeville Hydro self-identified several incorrect 2020 principal adjustments for Account 1588 during the OEB inspection.

3.1 Basis of Finding

Orangeville Hydro identified a reversal of a prior year adjustment as a 2020 principal adjustment in its 2022 application. However, it was incorrectly entered as a credit balance of \$424,499, instead of a debit balance of \$424,499. Orangeville Hydro self-identified this error and corrected it during the OEB inspection by making a debit principal adjustment of \$848,998 to account 1588. Please refer to Appendix 1 for the adjustment.

In addition, Orangeville Hydro self identified that it had double counted two reversal items in the amounts of \$69,244 and \$4,140 in 2020. These two reversals, along with a number of other reversals were already included in the lump sum amount of \$424,499 in 2020, so it was incorrect to account for them separately again. Orangeville Hydro corrected the error by making credit adjustments of \$69,244 and \$4,140 to account 1588. Please refer to Appendix 1 for the adjustments.

3.2 Expected Action

Since the 2020 balance for account 1588 has not been disposed of, Orangeville Hydro is expected to reflect the self-corrected adjustments in the Account 1588 in its upcoming 2023 rate proceeding.

Observation

1. Observation 1

The OEB inspection identified that Orangeville Hydro had several internal control weaknesses in its regulatory accounting and reporting processes prior to its implementation of the 2019 Accounting Guidance retroactively to 2017.

1.1 Basis of Observation

I&E staff noted the following internal control weaknesses in Orangeville Hydro's processes for regulatory accounting, IESO settlement, and reporting on its Accounts 1588 and 1589 balances:

1. For all the sample months from 2017 to 2020, no embedded generation (EG) monthly true-ups were done to actual volumes based on EG virtual generator summaries.
2. For the sample month of August 2017, Orangeville Hydro used the average RPP prices for May 1 and July 1 as opposed to the actual RPP prices effective for the billing period for RPP settlement with the IESO. Orangeville Hydro explained that they were using cyclical billing in 2017 and billing periods straddled the RPP price change (i.e., May 1 and July 1 of 2017⁴). As a result, instead of using the actual RPP prices, Orangeville Hydro used the average prices.

Orangeville Hydro corrected this by using the actual RPP prices and consumption volume for the month of August 2017 when applying the Accounting Guidance retrospectively with differences accounted for as principal adjustments.

3. For the period of February to June 2020, the signs for debit and credit amounts were reversed in the RPP settlement true-up journal entries in the worksheet that Orangeville Hydro maintained in-house and carried over to the IESO RPP submission forms. For example, credit amounts (payments from the IESO) were mistakenly entered as debit amounts (payments to the IESO). Orangeville Hydro identified this error in July 2020 and corrected this in a submission to the IESO in July 2020 for the months of February to June 2020.

⁴ [Historical electricity rates | Ontario Energy Board \(oeb.ca\)](https://www.ieso.ca/ieso/en/historical-electricity-rates)

4. For 2017 and 2018, the proration methodology Orangeville Hydro used to allocate the monthly GA charge CT 148 between RPP and non-RPP customers was based on billed consumption rather than calendar month consumption and purchased wholesale volume. Orangeville Hydro corrected the proration methodology when applying the Accounting Guidance retrospectively with differences accounted for as principal adjustments.
5. For the period April to June 2020, the worksheet Orangeville Hydro maintained in-house erroneously used the unadjusted (higher) GA rates to calculate the GA revenues. However, there was no impact on the actual revenue collected and recorded in the GL as Orangeville Hydro correctly billed its customers using the adjusted (lower) GA rates and the GL balances for GA revenue reflected the actual revenue collected.

1.2 Expected Action

Orangeville Hydro should continue to follow the Accounting Guidance to ensure the accuracy of the IESO submissions and reporting to the OEB for the balances of accounts 1588 and 1589.