

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

2025 Cost of Service

Hydro 2000 Inc.
EB-2024-0030

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9.1. OVERVIEW

The purpose of H2000s exhibit is to identify the variance/deferral accounts that have been used, provide the principal balance recorded in each variance/deferral account, and derive the carrying charges on each account's balance up to and including December 31, 2023.

The exhibit also describes the methodology proposed to allocate account balances to customer classes, explains the rationale supporting the proposed disposition period, shows the proposed charge parameters, and quantifies the proposed rate riders that will dispose of the recorded balances.

All accounts are used in the Accounting Procedures Handbook. The account balance at the end of 2023 reconciles with the trial balance reported through the Electricity Reporting and Record-keeping Requirements and H2000's Audited Financial Statements. H2000 has completed the OEB-provided DVA model with Group 1 and Group 2 balances. The model is filed in support of the information presented in H2000s exhibit.

H2000 proposes to dispose of:

- Group 1 total: A debit of \$100,585
- RSVA - Global Adjustment (1589): A debit \$14,110
- Group 2 total : \$60,465

All of the described disposals include carrying charges up to and including December 31, 2023, are sought to be disposed on a final basis.

Group 1 and Group 2 DVA balances are proposed to be disposed of over one year. H2000 has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

H2000 notes that since the inputs for 2023 balances have not been audited yet, the model shows variances between the RRR, and the balances proposed for disposition in all accounts. H2000 commits to updating the model as part of the interrogatory process.

9.1.1 Certification of Evidence

I, Lise Wilkinson, confirm that, to the best of my understanding or unless otherwise stated, the evidence submitted in H2000s exhibit is comprehensive and prepared in accordance with the stipulations outlined in the Chapter 2 Filing Requirements for Electricity Distribution Rate Applications issued on December 20, 2023, as well as other OEB policies. /1589.

Lise Wilkinson

General Manager

9.2. DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

9.2.1 DVA Balances Sought for Disposition

Table 1 – Balances Sought for Disposition

	Account	Interest	Balance sought for disposal	Allocator
LV Variance Account	1550	\$4,576	\$48,019.35	kWh
Smart Metering Entity Charge Variance Account	1551	-\$228	-\$2,619.70	# of Customers
RSVA - Wholesale Market Service Charge ⁵	1580	-\$1,443	-\$15,302.02	kWh
Variance WMS – Sub-account CBR Class A ⁵	1580	\$0	\$0.00	kWh
Variance WMS – Sub-account CBR Class B ⁵	1580	\$9	\$105.87	kWh
RSVA - Retail Transmission Network Charge	1584	\$1,522	\$13,867.48	kWh
RSVA - Retail Transmission Connection Charge	1586	\$1,594	\$17,546.19	Non-RPP kWh
RSVA - Power (excluding Global Adjustment) ⁴	1588	\$1,071	\$14,092.33	
RSVA - Global Adjustment ⁴	1589	\$1,822	\$14,110.49	
Disposition and Recovery/Refund of Regulatory Balances (2018 and pre-2018) ³	1595	\$0	\$0.00	
Disposition of Regulatory Balances (2019) ³	1595	\$94,330	-\$5,570.95	
Disposition of Regulatory Balances (2020) ³	1595	\$10,015	\$30,552.78	
Group 1 total (including Account 1589)		\$145,070	\$114,801.82	
Group 1 total (excluding Account 1589)		\$143,247	\$100,691.33	
RSVA - Global Adjustment		\$1,822	\$14,110.49	
Total of Group 2 Accounts		\$6,124	\$60,465	

All accounts in Groups 1 and 2 listed above comply with the Accounting Procedure Handbook. For definitions of each account listed below, please refer to the Accounting Procedure Handbook using the following link:

http://www.ontarioenergyboard.ca/oeb/_Documents/Regulatory/Accounting_Procedures_Handbook_Elec_Distributors.pdf

H2000 last disposed of its 1588/1589 DVA balances in its 2023 IRM.

H2000 confirms that the 2023 balances are as of December 31, 2023, and have been audited.

GROUP 1 ACCOUNTS

H2000 is seeking the following account balances for disposition.

1550 – LV Variance Account \$48,019.

1551 - Smart Metering Entity Charge Variance Account (\$2,620).

1580 - RSVA - Wholesale Market Service Charge (\$15,302).

1584 - RSVA - Retail Transmission Network Charge \$13,867.

1586 - RSVA - Retail Transmission Connection Charge \$17,546.

1588 - RSVA - Power (excluding Global Adjustment) \$14,092.

1589 - RSVA - Global Adjustment \$14,110.

1580 - Disposition of CBR Class B Variances. \$106 Included in account 1580 above.

H2000 calculates its CBR balances and tracks in its subaccount. Out of the remaining amount of (\$15,302) in account 1580, a sum of \$106 is assigned to CBR Class B. The breakdown is displayed in the DVA Model Tab 2a continuity schedule.

1595 - Disposition of Residual Balances. (N/A)

H2000 is not proposing to dispose of any 1595 balances as part of H2000s application as.

H2000 confirms that for all of the Group 1 accounts listed above, it has followed the Accounting Procedure Handbook.

Table 2 – Disposition Status of Account 1595

Year	Rate Application	Disposition Period	Sunset Reached	Rate Ride Sunset Date	Audit Year	Plus 2 years	Rate Year Eligible
2017	2019	2 yr.	X	2021/5/31	2022	✓	2025
2018	2020	1 yr.	X	2021/4/30	2022	✓	2025
2019	2021	1 yr.	X	2022/4/30	2023	X	2026
2020	2022	1 yr.	X	12/31/2021	✓	X	2027
2021	2023	1 yr.	X	12/31/2022	✓	X	2028
2022	2024	1 yr.	X	12/31/2023	✓	X	2029

H2000 also confirms that there are no residual balances for vintage Account 1595 being disposed of and that all historical dispositions of 1595 have only been done once.

None of H2000's 1595 residual balances have met the criteria for disposition. Therefore, H2000 is not filing the associated 1595 Worksheet for each of these balances sought for disposition.

GROUP 2 ACCOUNTS

Table 3 – Disposition of Group 2 Accounts

Account		Total Claim incl interest	Allocator
Pole Attachment Revenue Variance	1508	\$2,256	Distribution Rev.
Customer Choice Initiative Costs	1508	\$5,732	kWh
Green Button Initiative	1508	\$52,477	kWh
Total Group 2 Accounts		\$60,465	

H2000 notes that costs related to Green Energy Button and the implementation of ULO are included in the utility's OM&A.

1508 – Wirepole Attachments Charges. \$2,256

On July 20, 2018, The OEB issued Accounting Guidance on Wireline Pole Attachment Charges. The guidance stated that LDCs without a distributor-specific pole attachment charge LDCs must record the excess incremental revenues received from carriers for the new pole attachment charge in a new variance account, Account 1508 – Sub Account – Pole Attachment Revenue Variance.

In compliance with the guidance, H2000 started recording, starting on September 1, 2018, and ending in December 2022; the excess revenue collected from the difference between revenue charged to carriers and new rates was recorded in 1508.

Carrying charges have been applied to the balance in H2000s account at the OEB prescribed interest rates and recorded in the new variance account.

The guidance states that once an LDC has had the new pole attachment charge incorporated in a cost-based rate application, the variance account would no longer be required and must be closed after the disposition of the last of the amounts that have been tracked.

Given that the amount changes on a yearly basis, the assumption is that utilities will continue to record the difference between the amount charged and collected. H2000 proposes to dispose of the balances in account 1508 up to the end of 2023. It does not anticipate using the account going forward unless the OEB changes the provincial rate.

A working excel worksheet entitled B-2024-0030-1508 Pole Attachement.xls is filed with this application.

Table 4 – 2024 Cumulative Wirepole Attachment

	Monthly Variance	Interest Calculation	Total
2019 Opening Balance	-\$630.81		-\$630.81
2019 Activity for the year	-\$761.81	-\$19.33	
2019 Closing Balance	-\$1,392.62	-\$19.33	-\$1,411.95
2020 Activity for the year	-\$3,627.48	-\$12.77	
2020 Closing Balance	-\$5,020.10	-\$30.44	-\$5,050.54
2021 Activity for the year	\$36.19	-\$28.51	
2021 Closing Balance	-\$4,983.91	-\$58.95	-\$5,042.86
2022 Activity for the year	\$3,402.45	-\$54.00	
2022 Closing Balance	-\$1,581.46	-\$112.95	-\$1,694.41
2023 Activity for the year	\$2,279.30	-\$25.99	
2023 Closing Balance	\$697.84	-\$138.94	\$558.90
2024 Activity for the year	\$1,621.07	\$75.96	
2024 Closing Balance	\$2,318.91	-\$36.99	\$2,281.92

1508 – Customer Choice Initiative Costs \$5,732

H2000 incurred initial costs related to Customer Choice Initiative totaling \$5,731 including \$636 in interests.

1508 – Green Button Initiative Costs \$52,477

H2000 incurred initial costs related to Green Button totaling \$52,477 including 5,332 in interest.

1592 - Accelerated CCA (\$0)

The 2020 settlement agreement indicates that the 2020 rates accounted for the impacts of accelerated Capital Cost Allowance (CCA). It establishes that the only purpose of the account is to track the phase-out of accelerated CCA beginning in 2024. Therefore, H2000 is not proposing to dispose of any impacts at this time. Specifically, the agreement states: *“The Parties agree that forecast taxes, as updated, have been correctly determined in accordance with OEB accounting policies and practices, including the OEB’s July 25, 2019, accounting direction relating to changes to capital cost allowance. As part of the settlement, the Parties have agreed that there is no need for a smoothing mechanism to address the impacts of accelerated depreciation, and that H2000 will use account 1592 to address future CCA changes, including specifically the contemplated elimination of accelerated CCA in 2024. The Parties further agree that the proposed Income Tax/PILS Model properly reflects consequential adjustments made necessary as a result of other aspects of this Settlement Proposal.”*

9.2.2 Group 2 Account Proposed to be Discontinued and Request for New Variance Account Going Forward.

H2000 confirms that it is not requesting any new deferral or variance accounts. H2000 is proposing to discontinue the use of the following accounts.

1508-Customer Choice Initiative Costs

1508-Green Button Initiative Costs

1508- ULO Implementation Costs

1508 - Pole Attachment

9.2.3 Accounting Orders for Previous Applications and Departure from Board Approved Balances

H2000 confirms it was not instructed to apply for any specific accounting orders in its previous application. H2000 has not made any adjustments to deferral and variance account balances that the Board previously approved on a final basis in either cost of service or IRM proceedings.

9.2.4 Interest Rates

The table below provides the interest rates by quarter applied to calculate actual and forecast carrying charges for each regulatory and variance account.

Table 5 – Interest Rates

Period	Interest Rate
Q1 2019 (Actual)	2.45%
Q2 2019 (Actual)	2.18%
Q3 2019 (Actual)	2.18%
Q4 2019 (Actual)	2.18%
Q1 2020 (Actual)	2.18%
Q2 2020 (Actual)	2.18%
Q3 2020 (Actual)	0.57%
Q4 2020 (Actual)	0.57%
Q1 2021 (Actual)	0.57%
Q2 2021 (Actual)	0.57%
Q3 2021 (Actual)	0.57%
Q4 2021 (Actual)	0.57%
Q1 2022 (Actual)	0.57%
Q2 2022 (Actual)	1.02%
Q3 2022 (Actual)	2.20%
Q4 2022 (Actual)	3.87%
Q1 2023 (Actual)	4.73%
Q2 2023 (Actual)	4.98%
Q3 2023 (Actual)	4.98%
Q4 2023 (Actual)	5.49%
Q1 2024 (Actual)	5.49%
Q2 2024 (Actual)	5.49%
Q3 2024 (Actual)	5.20%
Q4 2024 (Actual)	4.40%

H2000 has used the latest OEB prescribed interest rates as published on the website at: <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/prescribed-interest-rates>

9.2.5 Disposition and Rate Riders

Board policy states that at the time of rebasing, all account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline. Per the above statement, H2000 proposes to dispose of all its balances listed in the table below. The only account that is not sought for disposition is account 1595, which does not meet the OEB's criteria for disposition.

The 2025_DVA_Continuity_Schedule detailing each account is being filed in conjunction with H2000s application.

Table 6 – Balances Sought for Disposition (DVA Model - Tab 5 Allocation of Balances)

	Account	Interest	Balance sought for disposal	Allocator	Continue / Discontinue
LV Variance Account	1550	\$4,576	\$48,019.35	kWh	Continue
Smart Metering Entity Charge Variance Account	1551	-\$228	-\$2,619.70	# of Customers	Continue
RSVA - Wholesale Market Service Charge⁵	1580	-\$1,443	-\$15,302.02	kWh	Continue
Variance WMS – Sub-account CBR Class A⁵	1580	\$0	\$0.00	kWh	Continue
Variance WMS – Sub-account CBR Class B⁵	1580	\$9	\$105.87	kWh	Continue
RSVA - Retail Transmission Network Charge	1584	\$1,522	\$13,867.48	kWh	Continue
RSVA - Retail Transmission Connection Charge	1586	\$1,594	\$17,546.19	Non-RPP kWh	Continue
RSVA - Power (excluding Global Adjustment)⁴	1588	\$1,071	\$14,092.33		Continue
RSVA - Global Adjustment ⁴	1589	\$1,822	\$14,110.49		Continue
Disposition and Recovery/Refund of Regulatory Balances (2018 and pre-2018)³	1595	\$0	\$0.00		
Disposition of Regulatory Balances (2019)³	1595	\$94,330	-\$5,570.95		Continue
Disposition of Regulatory Balances (2020)³	1595	\$10,015	\$30,552.78		Continue
Group 1 total (including Account 1589)		\$145,070	\$114,801.82		
Group 1 total (excluding Account 1589)		\$143,247	\$100,691.33		
RSVA - Global Adjustment		\$1,822	\$14,110.49		
Pole Attachment Revenue Variance	1508	-\$63	\$2,256		Discontinue
Customer Choice Initiative Costs	1508	\$636	\$5,732		Discontinue
Green Button Initiative	1508	\$5,332	\$52,477		Discontinue
		\$6,210	\$60,465		

H2000 confirms the following statements:

- H2000 has not made any adjustments to DVA balances previously approved by the Board on a final basis in the previous Cost of Service or IRM proceedings.
- The utility has no balances for disposition for renewable generation and smart grid development.
- H2000 does not have any Market Participants. As such, it does not need to establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.
- H2000 is proposing to dispose of balances where the values for accounts 1588/1589 are entered in 2018 to 2023 and interest until April 30, 2025.
 - H2000 notes that following H2000's delay in disposing its 1588/1589, it hired a third-party Baker Tilly to review the process with MNP. The report is included at Appendix A of this Exhibit.
- H2000 confirms that its balances proposed for disposition are consistent with the financial statements.

The determination of the rate riders is shown in the tables below. Following OEB policy, H2000 is seeking a one-year disposition period. H2000 has used the approved allocators.

Table 7 – Rate Riders for the Group 1

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	kWh	14,230,001	\$60,753.33	\$0.0021
General Service < 50 Kw	kWh	4,435,132	\$19,419.91	\$0.0022
General Service > 50 To 4999 Kw	kW	11,713	\$19,592.03	\$0.8364
Unmetered Scattered Load	kWh	16,511	\$305.50	\$0.0093
Street Lighting	kW	423	\$514.69	\$0.6084
Total			\$100,585.46	

Table 8 – Rate Riders RSVA – Power Global Adjustment

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	kWh		\$0.00	\$0.0000
General Service < 50 Kw	kWh		\$0.00	\$0.0000
General Service > 50 To 4999 Kw	kWh	3,649,857	\$13,394.93	\$0.0018
Unmetered Scattered Load	kWh	-	\$0.00	\$0.0000
Street Lighting	kWh	194,977	\$715.56	\$0.0018
Total			\$14,110.49	

Table 9 – Rate Riders for Group 2

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	# of Customers	1,145	\$37,472.86	\$1.3640
General service < 50 kw	kWh	3,672,224	\$11,417.93	\$0.0016
General service > 50 to 4999 kw	kWh	9,698	\$11,022.33	\$0.5683
Unmetered scattered load	kW	16,511	\$55.77	\$0.0017
Street lighting	kW	423	\$496.17	\$0.5865
Total			\$60,465.06	

9.3. GLOBAL ADJUSTMENT

For account 1589, H2000 is requesting disposition of the December 31, 2023, audited balance, plus forecasted interest through April 30, 2025. The balance requested for disposal, including carrying charges, is a debit of \$14,110

H2000 confirms that the OEB's February 21, 2019, guidance was implemented to the degree approved by the OEB:

- H2000 confirms that it pro-rated the IESO Global Adjustment Charge into the RPP and non-RPP portions and that Global Adjustment is only being applied to customers that are non-RPP. The calculated values are then entered into Account 1588 – RSVA – Power (excluding Global Adjustment) and Account 1589 – Power – Sub-account – Global Adjustment.

- The proration of the monthly Global Adjustment amount is based on the RPP versus Non-RPP kWh quantities from actual billing usage. H2000 allows for effective splitting of Account 1589 Global Adjustment variance account from the Account 1588 Cost of Power variance account.

H2000 notes that it has completed and filed GA Workform for 2023. All distributors are required to complete and submit a Global Adjustment (GA) Analysis Workform for each year that has not been previously approved by the OEB for disposition. The GA Analysis Workform helps the OEB to assess if the total annual variance that is recorded to Account 1589 is reasonable. The Workform compares the actual general ledger transactions recorded during the year 2023 to an expected balance that is calculated based on monthly GA volumes, revenues, and costs. H2000 confirms it has completed the GA Analysis Workform for 2023 and the variance calculated is below the 1% materiality threshold. The Workform has been filed as part of this application.

Concerning Global Adjustment, H2000 confirms the following statements:

- H2000 confirms that the billing determinant and all the rate riders for the GA are calculated on an energy basis (kWh) regardless of the billing determinant used for distribution rates for the class.
- H2000 notes that it does not have Class A customers.
- H2000 is seeking final disposition of its GA balances in H2000's proceeding.
- 1589 account audited balance December 31, 2022, was last approved for disposition in 2024 on a final basis.

9.4. LRAMVA

H2000 confirms that it is not seeking disposal of loss revenues related to conservation savings in H2000s proceeding therefore none of the LRAMVA filing requirements apply in H2000s case.