

ATTACHMENT 5
Accounting Order
Hydro Ottawa Limited
EB-2024-0115

Account 1508 Sub-account Earnings Sharing Mechanism (“ESM”) Variance Account

Hydro Ottawa shall maintain this existing account, with modifications effective January 1, 2026. The ESM will be a five-year (2026-2030) cumulative asymmetrical account. The purpose of this account is to record amounts related to any cumulative earnings above Hydro Ottawa’s approved Return on Equity (“ROE”) to be shared on a 50/50 basis above a dead band of 150 basis points if the utility’s efficiency cohort determined by the agreed adjusted PEG Benchmarking Analysis (to reflect unreported secondary lines) remains constant or reduces over the rate period. Should the utility move to cohort 5 within the agreed adjusted PEG model, no deadband would apply and all over earning would be shared on a 50/50 basis. The ratepayer share of the earnings shall be grossed-up for any tax impacts and credited to this account.

For the purpose of earnings sharing, the regulatory net income will be calculated in the same manner as the calculation of net income under the Reporting and Record Keeping Requirements (“RRR”) filings. This will exclude revenue and expenses that are not otherwise included for regulatory purposes, such as the following:

- Non-distribution activities, which are not part of revenue requirement;
- The amounts recorded into or disposed through regulatory assets/liabilities (specifically, Group 1 Accounts); and
- Changes in taxes/payments in lieu of taxes (“PILS”) to which Account 1592 applies, which will be shared through that account rather than through earnings sharing.

Adjustments may also be required to the ESM calculation to ensure there is an appropriate treatment from amounts recorded and/or recovered by way of deferral and variance accounts.

This account will accrue interest based on OEB-prescribed interest rates.

Sample Journal Entries

A) To record any ESM above a dead band of 150 basis points into the account in any year it is required on a cumulative balance. As a result, previous years' entries could be reversed.

Account	Debit	Credit
Account 4080 – Distribution Services Revenue	x,xxx.xx	
Account 1508 – Sub-Account ESM		x,xxx.xx

The balance will be disposed of as part of the Group 2 Accounts and in accordance with the OEB's direction regarding the disposition of Group 2 Accounts.

Sub-Account 1508 - Other Regulatory Assets - Gains and Losses on Disposal of Fixed Assets Variance Account.

Hydro Ottawa shall maintain the use of this 1508 Sub-Account. Effective January 1, 2026, Hydro Ottawa shall record the difference between the forecast loss and the actual gain/loss on the disposal of fixed assets related to scheduled retirements or unforeseen damage to our plant, including costs associated with weather related damage for Test years 2026-2030.

Account 4362 tracks the disposal of fixed assets related to scheduled retirements or unforeseen damage to Hydro Ottawa plant, including costs associated with weather related damage as well as damages incurred by third parties. Examples recorded into this account include losses on meters, station equipment, transformers, poles, vehicles, scrap sales and inventory obsolescence.

Sample Journal Entries

A) Monthly journal entries to capture the amount to return to customers where actual financial losses related to the disposal of fixed assets over Test years 2026-2030¹ is lower than forecasted financial losses.

Account	Debit	Credit
Account 4080 - Distribution Services Revenue	x,xxx.xx	
Account 1508 - SA PP&E Retirement Gains/Losses		x,xxx.xx

Should actual financial losses be higher than the forecasted amount the entries would result in Account 1508 being debited and the other Account being credited.

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

Hydro Ottawa proposes that any balance related to 2026-2029 be recovered from or returned to customers at the utility's next rebasing application. Any balance related to 2030 will be disposed of in accordance with OEB guidelines related to Group 2 Accounts.

¹ To use the I - X formula after the 2026 base year in establishing the forecast

Sub-Account 1508 - Other Regulatory Assets - Symmetrical Connection Cost Recovery Agreement (CCRA) Payments Differential Variance Account

Hydro Ottawa shall maintain the use of this 1508 Sub-Account. Effective January 1, 2026, for in-service CCRA in 2026–2030 that include both new and existing CCRA, Hydro Ottawa shall record the revenue requirement difference between what Hydro Ottawa has included in base rates and what is actually paid for in both new and true-up CCRA payments made to Hydro One Networks Inc. The Account is symmetrical and any difference will be collected from or refunded to customers.

With respect to new CCRA payments, Hydro Ottawa shall record the difference in depreciation, interest, return, and payment in lieu of taxes (“PILS”) components of the revenue requirement impact of new CCRA payments once the assets (to which the CCRA payment relates) provide services to Hydro Ottawa customers and are capitalized. With respect to true-up CCRA payments, Hydro Ottawa shall record the difference in depreciation, interest, return, and PILS components of the revenue requirement impact of true-up CCRA payments once capitalized. Please see the table below for the forecasted CCRA payments that are included in approved rates.

Settled CCRA Program Net Capital In-Service Additions

Program	2026	2027	2028	2029	2030
CCRA	\$ 7,082	\$ 6,078	\$ 31,365	\$ 19,641	\$ 783

The following is a sample journal entry of the symmetrical account which reflects a balance to be collected as actual CCRA payments are higher than forecasted.

The journal entries would continue until Hydro Ottawa’s next Custom IR application or rebasing, at which point the residual balances will be requested to be cleared, recovered from, or returned to customers, and the CCRA balance net of accumulated depreciation would be recovered through rate base.

Sample Journal Entries

A) Monthly journal entries to capture the revenue requirement difference to be recovered from customers where the actual monthly in-service CCRA capital addition is more than the forecasted amount.

Account	Debit	Credit
Account 1508 - Sub-Account CCRA - Depreciation	x,xxx.xx	
Account 1508 - Sub-Account CCRA - Interest	x,xxx.xx	
Account 1508 - Sub-Account CCRA - Return	x,xxx.xx	
Account 1508 - Sub-Account CCRA - PILs	x,xxx.xx	
Account 4080 – Distribution Services Revenue		x,xxx.xx

Should the actual monthly in-service CCRA capital addition be less than forecasted as part of rates, the entries to return revenue requirement to customers would result in Account 1508 being credited and Account 4080 being debited.

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

The balance will be disposed of as part of the Group 2 Accounts and in accordance with the OEB's direction regarding the disposition of Group 2 accounts.

Sub-Account 1508 - Other Regulatory Assets – Symmetrical Growth-Related Capital Variance Account

Hydro Ottawa shall create a symmetrical sub-account² to record over/underspending in System Access investments related to Plant Relocation and Upgrade, Residential Subdivision and New Commercial Development that enables housing developments and in System Service investments related to Capacity Upgrade, subject to a 15% dead band. This account will be referred to as the Growth-Related Capital Variance account ("GRCA"). Hydro Ottawa shall record the revenue requirement impact associated with the difference between cumulative in-service additions, net of capital contributions for the period 2026–2030, and the forecasted amount, but only in respect of the portion of that difference that exceeds the +/-15% dead band (no entries shall be made for any portion of the difference within the +/-15% dead band). This requirement is effective January 1, 2026. Please see the table below for the forecasted net capital additions related to the GRCA that are included in approved rates.

GRCA Net Capital In-Service Additions (\$'000s)

Program	2026	2027	2028	2029	2030
Plant Relocation	\$ 2,275	\$ 2,405	\$ 2,532	\$ 2,568	\$ 2,644
Customer Connections - Res & Comm	\$ 9,118	\$ 11,837	\$ 11,503	\$ 11,613	\$ 12,505
Capacity Upgrades	\$ 53,976	\$ 78,521	\$ 76,462	\$ 43,051	\$ 37,756
Total Symmetrical Growth-Related	\$ 65,370	\$ 92,763	\$ 90,496	\$ 57,232	\$ 52,905

Sample Journal Entries

A) Yearly journal entries to capture the revenue requirement to refund to customers where the actual capital addition (net of capital contributions) are less than the forecasted cumulative capital additions (net of capital contributions) that meets the 15% dead band difference.

² As described in 9-SEC-87.

Account	Debit	Credit
Account 4080 – Distribution Services Revenue	x,xxx.xx	
Account 1508 - Sub-Account CVA - Depreciation		x,xxx.xx
Account 1508 - Sub-Account CVA - Interest		x,xxx.xx
Account 1508 - Sub-Account CVA - Return		x,xxx.xx
Account 1508 - Sub-Account CVA - PILs		x,xxx.xx

Should actual capital additions be more than forecasted capital additions beyond the 15% dead band difference, the entries would result in Account 1508 being debited and Account 4080 being credited. This would result in a collection from customers.

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

Hydro Ottawa proposes that any balance related to 2026-2029 be recovered from or returned to customers at the utility's next rebasing application. Any balance related to 2030 will be disposed of in accordance with OEB guidelines related to Group 2 Accounts.

Sub-Account 1508 - Other Regulatory Assets – Symmetrical Non-wires solutions variance account

Hydro Ottawa shall establish this new 1508 Sub-Account. Effective January 1, 2026, Hydro Ottawa shall record the revenue requirement impact associated with the difference between projected and actual NWS costs for NWS projects, offset by any external funding.

Hydro Ottawa's forecasted Non-Wires Solutions (NWS) costs outlined in the table below include funding for targeted marketing campaigns and potential customer incentives within the Non-Wires Customer Solutions Program, focusing on local projects and IESO collaboration, and increased OM&A expenses related to managing advanced grid technologies like BESS, including monitoring and control, and overall safety compliance.

NWS projects are projects that support the objectives outlined in the Ontario Energy Board's "Non-Wires Solutions Guidelines for Electricity Distributors" and aligns with the broader Framework for Energy Innovation, ultimately promoting the effective implementation of NWS for a more resilient and efficient electricity grid that benefits ratepayers.

Hydro Ottawa's forecasted NWS costs cover marketing, customer incentives, and increased OM&A for managing advanced grid technologies like BESS, including monitoring and safety compliance. However, the successful deployment of these programs is contingent upon external factors like the pace of technology and policy changes, and crucial customer adoption rates.

Non-Wires Solutions Test Year Costs (\$'000)³

	2026	2027	2028	2029	2030
Costs included in OM&A	\$2,192	\$2,319	\$2,454	\$2,597	\$2,747
Costs included in Other Income & Deductions	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total NWS costs	\$4,192	\$4,319	\$4,454	\$4,597	\$4,747

Please see below for sample journal entries.

³ The 2026 amount includes external funding. Figures for 2027-2030 are based on the Custom Revenue OM&A Factor

Sample Journal Entries

A) Monthly journal entries to record the revenue requirement difference should the NWS costs be higher than the forecasted amount.

Account	Debit	Credit
Account 1508 - Sub-Account NWS costs	x,xxx.xx	
Account 4080 - Distribution Services Revenue		x,xxx.xx

Should actual costs be less, the entries would result in Account 1508 being credited and Account 4080 being debited

This account would accrue carrying charges at OEB-prescribed rates until final disposition.

Hydro Ottawa proposes that any balance related to 2026-2029 be recovered from or returned to customers at the utility's next rebasing application. Any balance related to 2030 will be disposed of in accordance with OEB guidelines related to Group 2 Accounts.