

Draft Accounting Order – Earnings Sharing Mechanism Deferral Account

Elexicon shall establish the new variance account, “Earnings Sharing Mechanism Deferral Account” (“ESMDA”), effective January 1, 2027. The ESMDA will record 50% of incremental earnings of the utility more than 100bps above the OEB-approved ROE, calculated on a cumulative basis over the 2027 to 2031 period.

Elexicon will monitor the cumulative ROE calculation on an annual basis, however, entries to the ESMDA will be recorded after conclusion of the 2027 to 2031 period, at such time that Elexicon’s net income for each year during that period is known and audited. To calculate whether earnings will be shared with ratepayers via the ESMDA, and to determine the amount of such sharing, Elexicon will complete the following:

- **Cumulative ROE Calculation:** Elexicon will divide its cumulative adjusted net income, after specific adjustments (e.g. out of period items), by the cumulative actual deemed equity over the same period to determine the utility’s cumulative achieved ROE.
- **Comparison to Approved ROE:** The cumulative achieved ROE will be compared to the OEB-approved deemed ROE established in this proceeding.
- **Deadband and Sharing Threshold:** The ESM includes a 100 basis-point (1.0%) deadband above the approved ROE.
 - If cumulative achieved ROE is within or below the 100 basis-point deadband, no sharing will occur.
 - If cumulative achieved ROE exceeds the approved ROE by more than 100 basis points, 50% of the incremental earnings above that threshold will be entered into the ESMDA as a credit to ratepayers.

The ESMDA will function asymmetrically to the benefit of ratepayers. Carrying charges will apply at OEB-prescribed rates. Elexicon will bring forward the ESMDA for disposition in a future proceeding.

Journal Entries:

DR: 4080	Distribution Services Revenue
CR: 1508	Sub-Account ESMDA
To record amounts in the ESMDA	

DR: 6035	Other Interest Expense
CR: 1508	Sub-Account ESMDA Carrying Charges
To record carrying charges in Sub-Account ESMDA	

Draft Accounting Order – Demand-Related Variance Account

Ellexicon shall establish the new deferral account, “Demand-Related Variance Account” (DRVA), effective January 1, 2027. The purpose of this account is to record variances in capital-related revenue requirement (“CRRR”) resulting from variances between actual and forecast in-service additions associated with the capital programs listed below (“Demand Related Capital Programs”):

- Externally Initiated Plant Relocation and Expansion
- Customer & Generation Connections
- System Expansion

The DRVA will function on a symmetrical basis, and will be subject to a cumulative global deadband of 15%.

If the combined actual CRRR associated with the Demand Related Capital Programs over the 2027 through 2031 period is less than the forecast approved in EB-2025-0312 by more than 15%, the difference below the 15% deadband will be credited to the DRVA for future return to rate payers; if greater than forecast by more than 15%, the difference above the 15% deadband will be debited to the DRVA for future recovery. Principal to the DRVA will be determined relative to the cumulative baseline included in Ellexicon’s rates as approved in EB-2025-0312, as specified below:

(\$ millions)	2027	2028	2029	2030	2031	Total
DRVA Capital-Related Revenue Requirement	1.55	3.62	5.65	7.51	9.43	27.77

In addition, a new sub-account will be established to record carrying charges associated with any principal balances in the DRVA. Carrying charges will apply at OEB-prescribed rates, calculated as simple interest based on monthly opening balances. Ellexicon will bring forward the DRVA for disposition at its next cost of service application, or as otherwise directed by the OEB.

Journal Entries:

DR/CR: 1508	Sub-Account DRVA
CR/DR: 4080	Distribution Services Revenue
To record variances in CRRR resulting from variances between actual and forecasted in-service additions within the capital programs which are subject to the DRVA	

DR/CR: 1508	Sub-Account DRVA Carrying Charges
CR/DR: 6035	Other Interest Expense
To record carrying charges in subaccount DRVA	

Draft Accounting Order – Connect Cost Recovery Agreement Variance Account

Elexicon shall establish the new deferral account, “Connection Cost Recovery Agreement Variance Account” (CCRAVA), effective January 1, 2027. The CCRAVA will record on a symmetrical basis variances in capital-related revenue requirement (“CRRR”) resulting from variances between forecast and actual in-service additions associated with the following:

- True-up payments made to Hydro One under Connection Cost Recovery Agreements (CCRAs); and,
- Variances in capital contributions paid to Hydro One.

Principal to the CCRAVA will be determined relative to the cumulative baseline included in Elexicon’s rates as approved in EB-2025-0312, as specified below:

(\$ millions)	2027	2028	2029	2030	2031	Total
CCRAVA Capital-Related Revenue Requirement	0.00	0.00	0.00	0.00	1.15	1.15

In addition, a new sub-account will be established to record carrying charges associated with any principal balances in the CCRAVA. Carrying charges will apply using the OEB-prescribed rates, calculated as simple interest based on monthly opening balances. The account will be brought forward for disposition at its next cost of service application, or as otherwise directed by the OEB.

Journal Entries:

DR/CR: 1508	Sub-Account CCRAVA
CR/DR: 4080	Distribution Services Revenue
To record variances in CRRR resulting from variances between actual and forecast in-service additions of Hydro One true-up payments or capital contributions	
DR/CR: 1508	Sub-Account CCRAVA Carrying Charges
CR/DR: 6035	Other Interest Expense
To record carrying charges in Sub-Account CCRAVA	

Draft Accounting Order – Non-Wires Solution Deferral Account (NWSDA)

Elexicon shall establish the new deferral account, “Non-Wires Solutions Deferral Account” (“NWSDA”), effective January 1, 2027. The NWSDA will record incremental operating expenses associated with developing, acquiring, and operating distribution-level Non-Wires Solutions (“NWS”) over the 2027 to 2031 period. Eligible cost components are to include:

- incremental labour costs to design, model, execute, and assess the results of a NWS project,
- incremental labour costs for the marketing and program design related to demand response,
- incremental labour costs for project-specific regulatory guidance, and project-specific financial analysis, tracking, reporting, and reconciliation.
- participant costs of a demand response program (e.g. payments to participants),
- consultant/third-party costs associated with discovery work after a need or opportunity is identified that could lead to a specific project,
- consultant/third-party costs associated with engineering studies, benefit cost analysis, and/or program measurement and verification,
- consultant/third-party costs associated with designing and executing a specific project,
- costs of accessing third-party assets (e.g. costs paid to a DER owner/aggregator).

Entries to the NWSDA will be based on actual costs incurred, and balances will be recorded as debits to the NWSDA for future recovery for Elexicon. Carrying charges will apply at OEB-prescribed rates. Elexicon will bring forward the NWSDA for disposition at its next cost of service application.

Journal Entries:

DR: 1508	Sub-Account NWSDA
CR: Various Accounts	Operations, Maintenance and Administrative Accounts
To record incremental operations, maintenance and administrative expenses associated with the development, acquisition, operation, evaluation, or other activities directly resulting from NWS	
DR: 1508	Sub-Account NSDA Carrying Charges
CR: 6035	Other Interest Expense
To record carrying charges associated with amounts recorded in Sub-Account NWSDA	