REGULATORY ACCOUNTS

1.0 INTRODUCTION

This Exhibit describes existing Hydro One Transmission and Distribution regulatory accounts, including whether the accounts are sought for disposition. The description of HOSSM accounts sought for disposition is provided in Exhibit G-01-02. The audited regulatory account balances for Hydro One Transmission, Distribution and HOSSM as at December 31, 2025 are presented in Exhibit G-01-05.

All of the regulatory accounts reported by Hydro One Transmission and Hydro One Distribution have been established pursuant to the applicable accounting orders approved by the OEB, consistent with the Accounting Procedures Handbook, and any subsequent OEB direction. Hydro One has not departed from the approved accounting orders or the Uniform System of Accounts (USoA).

Hydro One's outstanding deferral and variance account (DVA) balances for Transmission and Distribution are summarized in Tables 1 through 3 below. The forecast balances as at December 31, 2027 proposed for disposition are calculated by taking the audited December 31, 2025 balances, adjusted by any amounts approved for disposition in prior decisions and including forecast carrying charges through the end of 2027. Hydro One used the most recent OEB-approved prescribed interest rates as at the time of filing to calculate the projected carrying charges on the audited December 31, 2025 balances through to December 31, 2027. The account numbering in these tables corresponds with the sections of this Exhibit in which each account is discussed.

Hydro One intends to update the balances for 2026 actuals and its forecast carrying charges calculations during the course of this proceeding. For all tables presented in this Exhibit, figures presented in the tables may not sum to the totals shown due to rounding.

Table 1 - Hydro One Transmission Account Requests ($)

Active Group 2 DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as of Dec 31, 2027	Proposed for Disposition (Yes/No)
3.1 LDC CDM and Demand Response Variance Account	1508	(2,182,603)	480,044	(1,702,559)	Yes
3.2 Affiliate Transmission Projects (ATP) Account	1508	0	952	952	Yes
3.3 OPEB Cost Deferral Account	1508	0	1,159,939	1,159,939	Yes
3.4 Customer Connection and Cost Recovery Agreements (CCRA) True-Up Variance Account	1508	1,937,813	217,560	2,155,373	Yes
3.5 OEB Cost Assessment Variance Account	1508	992,368	50,611	1,042,978	Yes
3.6 Capitalized OH Tax Variance Account	1508	(27,678,823)	(3,597,870)	(31,276,693)	Yes
3.7 Externally Driven Transmission Projects Variance	1508	82,099	(47,901)	34,198	Yes
3.8 Capital Contribution Recovery Differential Account (BATU)	1508	938,697	84,728	1,023,425	Yes
3.9 Incremental Cloud Computing Implementation Costs	1511	6,675,696	794,527	7,470,223	Yes
3.10 OPEB Asymmetrical	1522	(26,484,955)	-	(26,484,955)	Yes

Active Group 2 DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as of Dec 31, 2027	Proposed for Disposition (Yes/No)
Carrying Charge Account					
3.11 Tax Rate Changes Variance Account	1592	-	(804,624)	(804,624)	Yes
3.12 External Secondary Land Use Revenue Variance Account	2405	(66,665,519)	(10,326,791)	(76,992,310)	Yes
3.13 External Station Maintenance, E&CS and Other External Revenue Account	2405	169,018	260,485	429,503	Yes
3.14 Rights Payments Variance Account	2405	(3,147,879)	(545,196)	(3,693,075)	Yes
3.15 Pension Costs Differential Variance Account	2405	(13,188,680)	(1,303,232)	(14,491,912)	Yes
3.16 Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account	2405	(39,408,224)	(6,053,197)	(45,461,421)	Yes
3.17 Misallocated Future Tax Savings Carrying Charges	2405/1508	-	5,354,449	5,354,449	Yes
3.18 Transmission Sale of Properties Deferral Account	2405	(3,040,670)	(448,711)	(3,489,381)	Yes
3.19 Earnings Sharing Mechanism (ESM) Deferral Account	2435	(103,489,411)	(6,103,241)	(109,592,652)	Yes

Active Group 2 DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as of Dec 31, 2027	Proposed for Disposition (Yes/No)
4.1 ATP Account – Project Construction Costs Tracking Account	1508	746,790,713	-	746,790,713	No
4.2 Capital Contribution Tracking Differential Account – Barrie Area Transmission Upgrade (BATU)	1508	8,439,000	-	8,439,000	No
4.3 Long-Term Transmission Future Corridor Acquisition and Development Deferral Account	1508	-	(0.03)	(0.03)	No
4.4 Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance	1522	(169,446,136)	-	(169,446,136)	No
4.5 Clean Energy Tax Credit Deferral	2405	-	-	-	No
4.6 Excess Export Service Revenue Variance Account	2405	(3,529,444)	(215,962)	(3,745,406)	No
4.7 External Revenue – Partnership Transmission Projects Deferral Account	2405	-	(0.00)	(0.00)	No

Active Group 2 DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as of Dec 31, 2027	Proposed for Disposition (Yes/No)
4.8 Transmitter Double-Peak Billing Accounts	1512	-	-	-	No

Table 2 - Hydro One Distribution – Group 1 Account Requests ($)

Active Group 1 Distribution DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as at Dec 31, 2027	Proposed for Disposition (Yes/No)
5.1 LV Variance Account	1550	1,964,187	140,704	2,104,891	Yes
5.2 Smart Metering Entity Charge Variance Account	1551	(714,184)	(40,696)	(754,880)	Yes
5.3 RSVA - Wholesale Market Service Charge	1580	(60,372,514)	(25,015,852)	(85,388,366)	Yes
Variance WMS – Sub-account CBR Class B	1580	8,706,164	22,574,482	31,280,646	Yes
RSVA - Retail Transmission Network Charge	1584	(24,545,112)	(1,538,227)	(26,083,339)	Yes
RSVA - Retail Transmission Network Charge-Double-Peak Billing Refunds Received from Transmitters	1584	-	-	-	No
RSVA - Retail Transmission Connection Charge	1586	(41,960,850)	(3,029,511)	(44,990,362)	Yes
RSVA - Retail Transmission Connection Charge-Double-Peak Billing Refunds Received from Transmitters	1586	-	-	-	No

RSVA - Power (excluding Global Adjustment)	1588	(37,236,437)	(3,466,382)	(40,702,819)	Yes
RSVA - Global Adjustment	1589	(42,314,346)	(2,376,616)	(44,690,963)	Yes
5.4 Disposition and Recovery/Refund of Regulatory Balances (2021) - DTA - HONI	1595	(2,845,739)	2,264,547	(581,192)	Yes
6.1 Disposition and Recovery/Refund of Regulatory Balances (2022) - CGAAP - Woodstock	1595	-	-	-	No
Disposition and Recovery/Refund of Regulatory Balances (2023) HONI and LDCs	1595	22,598,463	(9,308,813)	13,289,650	No
Disposition and Recovery/Refund of Regulatory Balances (2024) HONI	1595	(826,427)	(4,098,619)	(4,925,046)	No
Disposition and Recovery/Refund of Regulatory Balances (Pre 2024) Chapleau	1595	248	1,132	1,380	No
Disposition and Recovery/Refund of Regulatory Balances (2024) Chapleau	1595	1,201	6,808	8,009	No
Disposition and Recovery/Refund of Regulatory Balances (2025) HONI	1595	27,153,287	(3,964,114)	23,189,172	No
Disposition and Recovery/Refund of Regulatory Balances (2026) Chapleau		-	-	-	No
Disposition and Recovery/Refund of Regulatory	1595	-	-	-	No

Balances 2026 DX ESM Rider					
Disposition and Recovery/Refund of Regulatory Balances (2026) HONI	1595	-	-	-	No

Table 3 - Hydro One Distribution – Group 2 Account Requests ($)

Active Group 2 Distribution DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as at Dec 31, 2027	Proposed for Disposition (Yes/No)
5.5 OEB Cost Assessment Differential Account	1508	1,670,433	85,192	1,755,625	Yes
5.6 Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account	1508	1,185,214	187,870	1,373,085	Yes
5.7 Customer Choice Initiative Deferral Account	1508	1,231,337	260,652	1,491,990	Yes
5.8 OPEB Cost Deferral Account	1508	40,028,263	9,293,694	49,321,957	Yes
5.9 Externally Driven Distribution Projects Variance Account	1508	4,104,108	275,153	4,379,261	Yes
5.10 Ultra-Low Overnight (ULO) Implementation Costs Deferral Account	1508	336,326	(34,154)	302,172	Yes
5.11 Seasonal Class Elimination Deferral Account	1508	208,743	(56,814)	151,929	Yes
5.12 Getting Ontario Connected Act (GOCA) Variance Account	1508	36,656,944	3,340,072	39,997,016	Yes
5.13 Capacity Allocation Deposit Deferral Account	1508	(239,000)	(41,290)	(280,290)	Yes

5.14 Green Button Initiative Costs Deferral Account	1508	3,653,995	563,939	4,217,934	Yes
5.15 Capitalized OH Tax Variance Account	1508	(18,501,627)	(2,416,294)	(20,917,920)	Yes
5.16 Extended Horizons Variance Account	1508	289,677	14,774	304,451	Yes
5.17 Designated Broadband Project Impacts Deferral Account	1508	44,321,662	7,474,685	51,796,347	Yes
5.18 Incremental Cloud Computing Implementation Costs	1511	12,341,076	1,390,357	13,731,434	Yes
5.19 OPEB Asymmetrical Carrying Charge Account	1522	-	(22,239,056)	(22,239,056)	Yes
5.20 Pension Cost Differential Variance Account	2405	(15,147,336)	(2,196,096)	(17,343,432)	Yes
5.21 Pole Attachment Revenue Variance Account	1508	3,027,734	572,452	3,600,186	Yes
5.22 Advanced Metering Infrastructure (AMI) 2.0 Variance Account	2405	(28,235,534)	(1,816,714)	(30,052,248)	Yes
5.23 Distribution Sale of Properties Deferral Account	2405	(668,425)	(80,467)	(748,892)	Yes
5.24 Clean Energy Tax Credit Deferral Account	2405	(134,139)	(7,825)	(141,964)	Yes
5.25 Earnings Sharing Mechanism (ESM) Deferral Account	2435	(57,205,717)	(3,701,863)	(60,907,580)	Yes
5.26 Tax Rate Changes Variance Account	1592	(27,773,914)	(6,433,313)	(34,207,226)	Yes
6.2 Local Initiatives Program Deferral Account	1508	-		-	No

6.3 Capacity Allocation Model (CAM) Deferral and Variance Accounts	1508	-		-	No
6.4 Distribution System Energy Storage – Grid Scale-Third Party Acct Treatment Variance	2405	-		-	No
6.5 Distribution System Energy Storage – Residential Deferral Account	2405	-		-	No
6.6 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential (Tracking)	1522	(197,398,884)		(197,398,884)	No
6.7 Distribution Generation – Hydro One - Other Costs – Deferral Account	1533	-		-	No
Distribution Generation – Provincial - Other Costs – Deferral Account-HONI	1533	(1,141,098)		(1,141,098)	No
Distribution Generation – Provincial - Other Costs – Deferral Account-LDC (Haldimand)	1533	-	-	-	No
Distribution Generation – Provincial - Express Feeders – Deferral Account	1533	-	-	-	No
6.8 Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account	2405	-	-	-	No

6.9 Electricity Demand-Side Management (eDSM) Variance Account.	1508	-	-	-	No
6.10 Distribution Connection Cost Agreement (CCA) Variance Account	1508	-	-	-	No
6.11 Electric Vehicle Charging Rate Implementation Costs Deferral Account	1508	-	-	-	No
7.1 Retail Cost Variance Account - Retail and STR - Chapleau	1518, 1548	(2,020)	(406)	(2,427)	Yes
7.2 Smart Meter OM&A Variance (Stranded meter) - Chapleau	1555	-	-	-	No
7.3 Accounting Changes Under CGAAP Balance + Return Component- Chapleau	1576	33,497	-	33,497	Yes
7.4 Pole Attachment Revenue Variance Account - Chapleau	1508	-	-	-	No
7.5 Bill Impact Mitigation Deferral Account-Chapleau	1508	192,376	12,212	204,587	Yes
7.6 Chapleau Historical Land Rights Deferral Account	1508	-	-	-	No
7.7 Accounting Policy Changes Account - Chapleau	1508	-	-	-	No

2.0 OVERVIEW OF REGULATORY ACCOUNT BALANCES

As part of the 2023-2027 Joint Rate Application for transmission and distribution rates (EB-2021-0110), the OEB approved the establishment or continuance of certain regulatory accounts. Regulatory accounts have also been established based on approvals received in other applications (i.e., s. 92 applications) and from OEB-issued Accounting Guidance for generic accounts since the last rebasing application. Proposals for new or modified regulatory accounts, and the accounts requested for continuation and discontinuation, are discussed in Exhibit G-01-03.

The associated DVA continuity schedules in Exhibit G-01-07 include the audited 2025 balances adjusted for OEB-approved dispositions from prior decisions, together with forecast carrying charges up until December 31, 2027. These balances are requested for disposition for Hydro One Transmission and Hydro One Distribution's Group 1 balances and Group 2 balances.

Each account and its balance are described in the following sections of this Exhibit:

- Section 3.0 - Transmission Accounts Sought for Disposition
- Section 4.0 - Transmission Accounts Not Sought for Disposition
- Section 5.0 - Distribution Accounts Sought for Disposition
- Section 6.0 - Distribution Accounts Not Sought for Disposition
- Section 7.0 – Chapleau Accounts Sought for Disposition
- Section 8.0 – Orillia and Peterborough Rate Zones

Further details on the DVAs are provided in the following Exhibits:

- Exhibit G-01-02: HOSSM Accounts Sought for Disposition
- Exhibit G-01-03: HONI Transmission and Distribution Regulatory Account Requests
- Exhibit G-01-04: HOSSM Regulatory Account Requests
- Exhibit G-01-05: Proposed Disposition of Regulatory Accounts
- Exhibit G-01-06: Schedule of Annual Recoveries
- Exhibit G-01-07: Continuity Schedule of Regulatory Accounts

As part of the Chapter 2 Filing Requirements issued for 2027 rate applications, distributors are required to provide supporting evidence to show how the annual balance is derived for the utility-specific accounts sought for disposition including the relevant accounting orders. In accordance with the filing requirement, supporting calculations have been provided for all material Group 2 accounts to determine the balance to be disposed.

There are 15 utility-specific Transmission regulatory accounts and 12 utility-specific Distribution regulatory accounts. The Accounting Orders for Hydro One's utility specific accounts sought for disposition are filed in Exhibit G-01-01, Attachment 1 for Transmission and Distribution.

3.0 TRANSMISSION ACCOUNTS SOUGHT FOR DISPOSITION

Hydro One Transmission's balances were last disposed as at December 31, 2020. In this Application, the regulatory account balances at the time of filing reflect the audited 2025 balances. Hydro One intends to update, during the course of this proceeding, the balances of all accounts for which disposition is requested in this Application to reflect 2026 audited actuals.

3.1 LDC CDM AND DEMAND RESPONSE VARIANCE ACCOUNT (ACCOUNT 1508)

The LDC CDM and Demand Response Variance Account was approved for creation as part of the approved Settlement Agreement in EB-2012-0031 relating to Hydro One's 2013 and 2014 transmission revenue requirement. The account tracks the impact of actual CDM and demand response programs on the actual load compared to the estimated load forecast included in revenue requirement. The balance in the account reflects these differences. Actual CDM revenues are included in total revenues in the audited financial statements.

This account was not approved for continuation for the 2020-2022 test years pursuant to the Decision in EB-2019-0082, but it remained open to record any variances relating to Hydro One Transmission's 2018, and 2019 revenue requirement due to the lag in obtaining IESO issued information. In its decision for 2017 and 2018 transmission rates

(EB-2016-0160), the OEB directed Hydro One to use its best efforts to obtain the peak savings information needed to calculate the variance for the account. The OEB previously approved the disposition of the 2017 calculated amount in the LDC CDM and Demand Response Variance Account, and the 2018 and 2019 amounts were calculated in a similar manner.[1]

The audited December 31, 2020 balance was based on the IESO's best estimate of energy efficiency savings at that time; however, in early 2021, the IESO issued an official 2019 program evaluation report which changed the energy efficiency assumptions used in the calculation. The 2018 and 2019 amounts were adjusted for these changes in 2021 (approximately -$2M). This adjustment makes up most of the balance being proposed for disposition, which was offset by interest accumulation during the approved disposition period.

As per the OEB-approved Settlement in EB-2021-0110, the variance account was not proposed for continuation to capture any new variances for the 2023-2027 years; however, any principal balances booked in 2021 with respect to 2018 and 2019 would be brought forward for disposition in a future rate application.

As at December 31, 2025, there is a credit balance of $1.6M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $1.7M as at December 31, 2027.

[1] See EB-2021-0110, Application, Exhibit G-01-01, Attachment 3, which describes in detail the calculation that supported the audited 2021 balance which the OEB-approved as part of the approval to dispose of the audited 2020 balance.

3.2 AFFILIATE TRANSMISSION PROJECTS (ATP) ACCOUNT – PROJECT DEVELOPMENT, PRELIMINARY ENGINEERING, AND PLANNING COSTS (ACCOUNT 1508)

The OEB approved the establishment of the ATP Account for Hydro One Transmission effective May 28, 2021 via an Accounting Order in EB-2021-0169. The ATP Account consists of two sub-accounts, the (i) ATP - Project Development, Preliminary Engineering and Planning Work deferral account (the Deferral Sub-Account), and the (ii) ATP – Project Construction Costs tracking account (the Tracking Sub-Account).

The Deferral Sub-Account records costs incurred by Hydro One prior to the point where they qualify to be recorded in construction work in progress (CWIP). The Tracking Sub-Account is detailed in section 4.1 below.

The balance in this account reflects the residual accumulated interest since the disposition of the previously approved balance for the Waasigan Transmission deferral account in EB-2021-0110. When the OEB approved Hydro One's request to establish the ATP Account in EB-2021-0169, the previously established Waasigan Transmission Line Tracking Deferral Account was subsequently closed and transferred to the ATP Account.[2] This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

3.3 OPEB COST DEFERRAL ACCOUNT (ACCOUNT 1508)

The OPEB Cost Deferral Account captured the non-service cost component of Hydro One Transmission's OPEB costs for 2018 and 2019. Hydro One Transmission was approved to dispose of the 2019 audited balance in EB-2021-0110. Hydro One Transmission was approved to continue this account, as it was expected there would be interest accumulation during the approved disposition period.[3] The balance in this deferral account reflects the residual accumulated interest since the approved balance was disposed in

[2] EB-2021-0169, Decision and Order, p. 2
[3] EB-2021-0110, Application, Exhibit G-01-02, p. 4 of 46

EB-2021-0110. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

3.4 CUSTOMER CONNECTION AND COST RECOVERY AGREEMENTS (CCRA) TRUE-UP VARIANCE ACCOUNT (ACCOUNT 1508)

In the OEB's decision for Hydro One's 2020-2022 Transmission revenue requirement (EB-2019-0082), the OEB approved the establishment of a CCRA True-up Variance Account to track the differences between components of revenue requirement and actual results related to load true-ups performed in accordance with section 6.5.3 of the Transmission System Code. As tax is a component of revenue requirement, the tax implications arising from the load true-ups are also included in this account (including any applicable grossed up tax impacts). The OEB approved the continuance of this account in EB-2021-0110.

Table 4 below provides a summary of the yearly CCRA true-up variances that are included in the account balance.

Table 4 - Yearly CCRA true-up variances ($M)[4]

Contracts - 2021	CCRA True-up Amount
Newmarket - Holland TS	1.9
Alectra - Gore way TS	1.6
Commerce Way (H1Dx)	(0.9)
Holland (H1Dx)	(0.0)
Stayner (H1Dx)	(0.08)
Whitby	(0.2)
Total	**2.3**
Contracts - 2022	**CCRA True-up Amount**
Newmarket - Holland TS	(0.7)
Alectra - Gore way TS	(0.6)
Whitby	(0.2)
Hawthorne / Crille	0.7
Alectra Winona	(0.3)
Niagara Falls Hydro Murray TS	(0.02)
Cecil TS (Toronto Hydro)	0.6
Alectra St Mary's	(0.0)
Alectra Midhurst	(0.2)
Alectra Nebo TS	0.2
Red Lake (H1Dx)	(0.0)
Kingston Gardiner (H1Dx)	(0.2)
Commerce Way (H1Dx)	(1.4)
Dundas (H1Dx)	0.1
Holland (H1Dx)	(0.0)
Stayner (H1Dx)	(0.1)
Total	**(2.1)**
Contracts - 2024	**CCRA True-up Amount**
Kitchener MTS 8	0.5
Terry Fox MTS First	0.1
Total	**0.7**
Contracts- 2025	**CCRA True-up Amount**
Whitby TS Veridian	1.0
Whitby TS Whitby Hydro	0.1
Bronte TS Burlington Hydro	(0.08)
Tremaine TS Burlington Hydro	0.0
Tremaine TS Milton Hydro	(0.1)
Holland TS Newmarket Tay	0.08
Total	**1.0**

[4] Figures presented in the tables may not sum to the totals shown due to rounding.

As at December 31, 2025, there is a debit balance of $2.0M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date. This will result in a forecast debit balance of $2.2M as at December 31, 2027.

3.5 OEB COST ASSESSMENT VARIANCE ACCOUNT (ACCOUNT 1508)

The OEB Cost Differential Variance Accounts have been approved for both Hydro One Transmission and Hydro One Distribution. This account was originally established through the OEB's letter dated February 9, 2016, to capture material differences between cost assessments embedded in rates and those arising from the cost assessment model implemented as of April 1, 2016. Some utilities have ceased using this account in their cost-based applications following the guidance provided in the 2016 Letter. In light of the newly approved budget under the current cost assessment model in 2025, the OEB determined that reactivating this account was necessary. The OEB noted that this will ensure proper tracking and recording of material variances between the cost assessments embedded in rates and those resulting from the updated model. The reactivation of this account became effective on April 1, 2025.[5] Hydro One confirmed with OEB Staff that the reactivation of this account applies to electricity transmitters.

The 2025 OEB cost assessments embedded in rates were $2.1M and actual costs were $3.1M, resulting in a variance of $1M for the year. As at December 31, 2025, there is a debit balance of $0.9M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date of December 31, 2027. This will result in a forecast debit balance of $1.0M as at December 31, 2027.

In an effort to reduce regulatory and administrative burden and streamline the number of regulatory accounts , Hydro One proposes to include forecast balances for the OEB Cost

[5] OEB Letter: Cost Assessment – Fiscal Year 2025/2026 dated October 1, 2025

Assessment Variance Account for 2026 and 2027 for disposition as part of this Application. Given the predictable nature of these costs, Hydro One Transmission does not expect material differences between forecast and actual balances, resulting in limited risk associated with the proposed approach.

Table 5 below provides the forecast balances in the OEB Cost Assessments account.

Table 5 - 2026 and 2027 OEB Cost Assessments Forecast Amounts($M)

Year	OEB Cost Assessments Embedded in Rates	Forecast Costs	Variance
2026	$3.0	$4.7	$1.7
2027	$3.1	$4.9	$1.8

3.6 CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT (ACCOUNT 1508)

The Capitalized Overheads Tax Variance Accounts have been approved for both Hydro One Transmission and Hydro One Distribution in EB-2021-0110. The account records the revenue requirement impact associated with the net incremental tax benefits arising from additional capitalized overheads deductions for the 2016-2022 period as a result of Hydro One amending its prior tax returns or filing the future returns based on the new tax filing position (the Updated Approach).

Amounts were recorded at the earlier of: (i) when the tax return of a particular year is audited by the CRA and the new filing position is accepted as filed, or (ii) when the taxation year becomes statute barred. The variance account also captures variances in the revenue requirement associated with CRA reassessments with respect to the capitalized overhead tax benefits that have been incorporated in the OEB-approved revenue requirement for 2023 to 2027.

Table 6 - Capitalized Overheads Calculations ($M)

Particulars	Calculation	2016	2017	2018	2019	2020	Total
Capitalized Overheads Based on the MoF Ruling	A	35.4	38.4	45.0	44.8	46.2	
Capitalized Overheads with the Updated Approach	B	73.3	79.2	84.4	84.7	85.6	
Additional Overheads Deducted for Tax	C =B-A	37.9	40.8	39.4	39.9	39.4	
Less: Associated CCA Impact from 2022-2025	D	(25.7)	(26.0)	(24.4)	(23.4)	(21.1)	
Net Tax Deduction	E = C+D	12.2	14.8	15.0	16.5	18.3	
Tax Rate	F	26.5%	26.5%	26.5%	26.5%	26.5%	
Net Tax Benefit to be returned (before gross up)	G = E * F	3.2	3.9	4.0	4.4	4.9	
Net Tax Benefit to be returned (with gross up)	G/0.735	4.4	5.3	5.4	5.9	6.6	27.7
Year Entry is Recorded		*2022*	*2022*	*2023*	*2024*	*2025*	

As at December 31, 2025, there is a credit balance of $29.9M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date of December 31, 2027. This will result in a forecast credit balance of $31.3M as at December 31, 2027.

3.7 EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT (ACCOUNT 1508)

The Externally Driven Transmission Projects Variance Account was approved in Hydro One's 2023-2027 Custom IR application (EB-2021-0110) to record the revenue requirement impact including tax, if any, of variances between the in-service additions (ISAs) embedded in Hydro One's approved revenue requirement relating to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by governmental authorities, including indirectly through agencies, Crown corporations, or similar parties through regulation, policy changes or other official directives (Externally Driven Work) and the actual ISAs arising from Externally Driven Work during the 2023-2027 rate period.

This account does not include Externally Driven Work that is expected to be owned and included in the rate base of any new partnership affiliated with Hydro One Transmission, as those amounts would instead be recorded in the Affiliate Transmission Projects Account. As a symmetrical account, the variation in the Externally Driven Work relative to what is included in the approved revenue requirement is recorded in the account, with any underspend to be returned to customers and overspend to be recovered from customers.

Table 7 below provides the planned ISAs and the actual ISAs arising from Externally Driven Work from 2023 to 2025 and the associated revenue requirement variance recorded in the account. Due to Externally Driven Work being mandatory, significant in scale, complex and outside of Hydro One's control, the associated ISAs had material annual variances and material year-over-year variances.

Table 7 - Externally Driven Transmission Projects Variance Account ISA and Recorded Revenue Requirement ($M)

Calculation	Particulars	2023	2024	2025
A	**Baseline ISA[6]**	**89.7**	**9.7**	**42.3**
	Actual ISA			
	T-SA-04 – Connect Metrolinx Traction Substations	0.0	0.0	0.0
	T-SA-07 Secondary Land Use Projects	2.8	2.6	1.2
	T-SS-02 St. Lawrence TS: Phase Shifters Replacement	14.1	0.6	(0.3)
	T-SS-03 Merivale TS to Hawthorne TS: 230kV Conductor Upgrade	15.5	0.3	0.0
	T-SS-04 Richview x Trafalgar 230kV Conductor Upgrade	30.2	19.1	28.6
	T-SS-07 West of Chatham Reinforcement	0.0	27.2	0.9
	T-SS-09 - West of London Reinforcement	0.0	0.0	0.0
	T-SS-Other (New Investments)	0.0	6.0	10.6
B	**Actual ISA (Total)**	**62.5**	**55.7**	**41.0**
C = B - A	Variance	(27.2)	46.0	(1.3)
	Revenue Requirement Variance	**(0.2)**	**(1.1)**	**1.4**

[6] EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022, Schedule A, Settlement Proposal - Issue 29, Table 40.

As of December 31, 2025, there is a debit balance of $30K in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date of December 31, 2027. This will result in a forecast debit balance of $34K as of December 31, 2027.

3.8 CAPITAL CONTRIBUTION RECOVERY DIFFERENTIAL ACCOUNT – BARRIE AREA TRANSMISSION UPGRADE (BATU) (ACCOUNT 1508)

The Capital Contribution Recovery Differential Account – BATU Account was established in EB-2018-0117 on April 23, 2020, with the decision on the accounting order approved on June 11, 2020.

Pursuant to Hydro One’s s. 92 Application for an Order granting leave to upgrade the existing transmission line facilities in the Barrie/Innisfil area of Ontario (BATU Project), Hydro One requested a new variance account to capture the difference between the interest income that Hydro One will receive at the OEB’s prescribed construction work-in-progress rate (CWIP) and Hydro One Transmission’s OEB-approved weighted average cost of capital (WACC) on the unpaid capital contribution from the customer. Additionally, this account includes the applicable grossed up tax impacts. In subsequent proceedings including EB-2021-0110, the account was approved for continuance.

As at December 31, 2025, there is a debit balance of $0.9M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date. This will result in a forecast debit balance of $1.0M as at December 31, 2027.

3.9 INCREMENTAL CLOUD COMPUTING IMPLEMENTATION COSTS (ACCOUNT 1511)

On November 2, 2023, the OEB established the Cloud Computing Implementation Costs Account on a generic basis for electricity distributors and transmitters via an Accounting

Order to be effective December 1, 2023 to record incremental cloud computing implementation costs incurred by utilities and any related offsetting savings, if applicable. The generic deferral account was intended to:

- remove the perceived regulatory barrier to adopting cloud solutions and encourage technology advancement in the industry
- encourage optimal planning by allowing cloud computing implementation costs to be recovered outside of a rate rebasing year
- address potential intergenerational inequity concerns by allowing utilities in an extended incentive-rate setting period to request disposition of significant account balances in a non-rate rebasing year, if warranted
- permit utilities to reduce the rate impact to customers from significant one-time cloud computing implementation costs by proposing a disposition period when the utilities bring the account for disposition

Table 8 provides an overview of the eligible and material cloud computing projects that are included in the account, as broken down by Transmission and Distribution segment.

Table 8 - Eligible Cloud Computing Projects ($M)

ISD Reference Name	Project Overview	Sub-Project	Transmission	Distribution	Total
G-GP-05 – Information Technology Services Enablement	This investment sustains and enhances Hydro One's core information technology environment, which underpins business operations across the Company. It includes the ongoing renewal of data centre servers, storage, backup systems, and corporate network infrastructure, as well as the refresh of end-user computing devices and voice and networking systems used by employees to perform their work. In addition, this investment funds enterprise-wide tools that improve service management, workflow automation, and analytical insight.	Batch Scheduler	1.1	1.2	2.3
		Service Now ITSM	2.1	1.5	3.6
		SharePoint Online	1.2	2.2	3.4
G-GP-06 – Corporate Services Enablement	These investments sustain and enhance the enterprise platforms, applications, and data foundations that underpin core corporate functions, including Finance, Human Resources, Supply Chain, Facilities and Real Estate, Health and Safety, Fleet Services, Regulatory Affairs, Legal, Helicopter Services, and Business Continuity Planning and related corporate services delivery sustainment functions. These systems support planning, governance, financial integrity, workforce	IREIS Replacement/Upgrade	0.8	1.0	1.8
		Revenue Analysis			

	management, asset oversight, safety and regulatory activities that are essential to Hydro One's regulated operations.				
G-GP-08 - Work and Asset Management Enablement	Hydro One's Work and Asset Management (WAM) portfolio invests in a coordinated set of cloud-aligned digital capabilities that strengthen risk-based planning, storm preparedness and response, outage coordination, field execution, and capital project delivery across Transmission and Distribution. These investments modernize legacy and fragmented tools, address increasing system scale and operational complexity, and enhance Hydro One's ability to safely, reliably, and efficiently operate and restore the electricity system under both normal and severe operating conditions.	SAP Work Manager Upgrade - Forestry	0.8	1.2	2.0
		Cloud Computing – DX – SAP WM Forestry			
G-GP-07 - Customer Service Technology Enablement	This investment involves updating and implementing customer service cloud applications to modernize Hydro One's customer-facing and enabling platforms. The scope of this document covers a portfolio of cloud-based initiatives across digital channels, contact centre technologies, billing, and core customer operations, focused on reducing technical debt, improving scalability and reliability, and maintaining regulatory	Genesys Cloud Migration	-	1.9	1.9
		Microsoft D365 On Premise to Online version	-	1.6	1.6
		Cloud Computing – DX – MS CRM Uplift			
		DX Lemur Licenses-2025-2026-Year 2			
		Cloud Computing – DX – Tivoli IAM			

	compliance. The primary trigger of the investment is Business Support Sustainment, as many existing systems are approaching end of vendor support and pose increasing operational, cybersecurity, and compliance risks.				
Other Projects	This investment includes a portfolio of projects that modernize and integrate Hydro One's enterprise, operational, and data platforms. It supports the adoption of advanced technologies, including SAP, ADMS, and analytics solutions, to enhance operational performance, reliability, and digital capabilities while enabling future innovation and growth.	Dx AiDash & CRIS SaaS Support 2025	0.7	1.7	2.4
		245434-Dx SE ADMS Standalone Grid DERM Initial Sub			
		Advance Persistent Threat Intelligence Tools			
		SAP (OneCore)-SAP Datasphere			
Total			**$6.7**	**12.3**	**19.0**

The methodology for calculating incremental costs is determined on a project-specific basis consistent with the OEB's incremental cloud computing accounting order. Incremental costs are defined as costs that are not already reflected in approved base rates. Consistent with the Q&A issued by the OEB, incremental cloud implementation costs can include interfacing, configuration, customization, testing, training, data conversion and migration, business process re-engineering, and subscription costs.[7]

[7] OEB Q&A, Cloud Computing Implementation Costs Generic Deferral Account, Table 2 – Typical treatment of Cloud Implementation Costs – Under US GAAP. Additionally, the OEB's guidance that incremental cloud-related OM&A costs can be recorded in the deferral account if they are not already reflected in base rates, regardless of their accounting classification.

The incremental amount recorded in the DVA is calculated as the revenue requirement impact of the cloud-based solution, primarily OM&A, net of the revenue requirement impact approved in base rates based on capitalization as PP&E.

As at December 31, 2025, there is a debit balance of $7.1M in the variance account, inclusive of accrued interest above the principal amounts shown in Table 1 above. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $7.5M as at December 31, 2027.

As noted in the Chapter 2 Filing Requirements, Hydro One Transmission is proposing to dispose of the requested balance over a period of five years consistent with the overall request for DVA dispositions. This alignment will result in regulatory efficiency and reduced impacts on customer rates. The contract terms' duration is also short-term in nature which aligns with a proposed disposition period of five years.

Hydro One Transmission is not able to reasonably forecast entries to the cloud computing deferral account up to the effective date of new rates in 2028, as incremental cost eligibility is determined on a project-specific basis and depends on factors that are not known with certainty in advance, including the timing and scope of individual cloud initiatives, vendor decisions, and changes in operational requirements.

3.10 OPEB ASYMMETRICAL CARRYING CHARGE ACCOUNT (ACCOUNT 1522)

The OPEB Asymmetrical Carrying Charge Account is an OEB established account for utilities that recover their OPEB costs on an accrual method. Hydro One maintains this account separately for each of Hydro One Transmission and Hydro One Distribution. The account was established in the "Report of the OEB – Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs" finalized in September 2017. In EB-2021-0110, the OEB approved a modification and continuance of this account. Hydro One

Transmission calculated the reference amount using the modified approach that was accepted by the OEB in EB-2021-0110.[8]

As at December 31, 2025, there is a credit balance of $26.5M in this account. This balance, which represents the interest attracted on the Pension and OPEB Forecast Accrual Versus Actual Cash Payment Differential Variance Account, is being proposed for disposition. The balance in this account is reported to the OEB on an annual basis, consistent with the OEB's Reporting and Record Keeping Requirements.

3.11 TAX RATE CHANGES VARIANCE ACCOUNT (ACCOUNT 1592)

The Tax Rate Changes Variance Account has been approved for both Hydro One Transmission and Hydro One Distribution. For Hydro One Transmission, this variance account was approved for creation based on the OEB's acceptance of the Settlement Proposal for Hydro One Transmission's 2007 and 2008 revenue requirement on August 16, 2007 (EB-2006-0501). In subsequent proceedings including EB-2021-0110, the OEB approved continuance of this account. This variance account captures the tax impact due to:

- differences that result from a legislative or regulatory change to the tax rates or rules; and
- differences that result from a change in, or a disclosure of, a new assessment or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.

3.12 SUB-ACCOUNT – CCA CHANGES (ACCOUNT 1592)

On June 21, 2019, Bill C-97, the *Budget Implementation Act, 2019, No.1* was given Royal Assent. Bill C-97 included a change in capital cost allowance (CCA) resulting in a first year increase in tax depreciation for eligible capital assets acquired after November 20, 2018 (Accelerated CCA). Pursuant to the Accounting Direction issued by the OEB on July 25, 2019, Hydro One Transmission established a separate sub-account of Account 1592 – PILs and Tax Variances – CCA Changes to track the impact of changes in CCA rules.

[8] See EB-2021-0110, Exhibit G-01-02, section 4.5, for a description of the approved methodology

This sub-account was approved for continuance in EB-2021-0110 to track the impact, if any, arising from legislative changes related to Accelerated CCA during the 2023-2027 application period.

As at December 31, 2025, Hydro One Transmission has a credit balance of $0.8M. This balance reflects the residual accumulated interest since the balance was previously disposed in EB-2021-0110. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

3.13 EXTERNAL SECONDARY LAND USE REVENUE VARIANCE ACCOUNT (ACCOUNT 2405)

The External Secondary Land Use Revenue Variance Account was approved in the OEB's decision for Hydro One's 2009 and 2010 Transmission revenue requirement on May 28, 2009 (EB-2008-0272). In subsequent proceedings including EB-2021-0110, the OEB approved the continuance of this account, which is used by Hydro One Transmission to capture any difference between the forecast external secondary land use revenue approved by the OEB, for each test year, as part of 2023-2027 transmission rates, and the actual secondary land use revenue for each of these years. The balance in the account reflects these differences.

Table 9 below provides a summary between forecast external secondary land use revenue approved by the OEB and actual net secondary land use revenues from 2021 to 2025.

Table 9 - SLU Revenues Variances ($M)

Particulars	2021	2022	2023	2024	2025
Forecast external SLU revenue (OEB-approved)	23.5	23.5	28.0	24.3	24.6
Actual secondary land use revenues	50.3	26.4	37.6	38.8	47.2
Actual Cost of Sales	0	0	1.6	3.0	5.1
Variance (ties to principal activity in DVA continuity)	(26.8)	(2.9)	(8.0)	(11.5)	(17.5)

Examples of secondary land use revenues are revenue generated when Hydro One licenses and leases owned transmission corridor lands to external parties for secondary land use purposes, such as parking lots, municipal and private roadways, parks and trails, agricultural areas, water mains, and other municipal infrastructure occupations, as well as public transit parking lots and station operations. Actual secondary land use revenue is included in total revenues in the audited financial statements.

Previously, Hydro One Transmission indicated that it did not directly track costs relating to secondary land use revenues and that the costs are embedded in common corporate costs.[9] However, starting in 2023, additional labour and associated incremental costs above inflationary adjustments under the approved rate framework were necessary to administer the program and secure incremental SLU revenue. Drivers of the work effort include third party proponent proposals growth, which were higher than historical (pre-COVID-19 pandemic), protracted/longer negotiations due to higher land values, and economic growth within the province driving more operational land sales/divestitures (e.g. road widenings). The largest driver of the increased costs pertain to labour as there has been an increase in headcount required to support the growing SLU program. Additionally, due to rising land values, negotiations with proponents have become, and continue to be, increasingly complex and prolonged. As a result, additional time and effort were required to effectively support and advance negotiations and settlements. Given these new developments, the cost of sales has been netted against the actual secondary land use

[9] EB-2021-0110, Application, Exhibit E-04-06, p. 1

revenues as reflected in Table 9 above to fully reflect the financial impacts of the SLU program.

As at December 31, 2025, there is a credit balance of $73.6M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $77.0M as at December 31, 2027.

3.14 EXTERNAL STATION MAINTENANCE, E&CS AND OTHER EXTERNAL REVENUE VARIANCE ACCOUNT (ACCOUNT 2405)

The External Station Maintenance, E&CS and Other External Revenue Variance Account was approved in the OEB's decision for Hydro One's 2009 and 2010 Transmission revenue requirement on May 28, 2009 (EB-2008-0272). In EB-2021-0110, the OEB approved continuance of this account. Hydro One Transmission uses the account to capture any differences between the OEB-approved and actual net external station maintenance, engineering & construction services (E&CS) revenue and other external revenue. The balance in the account reflects these differences. External revenue and associated cost of sales (COS) are included in total revenues and total OM&A, respectively, in the audited financial statements.

Table 10 below provides a summary of the differences between OEB-approved revenues and COS, and actuals from 2021 to 2025.

Table 10 - External Station Maintenance, E&CS, and Other External Revenues Variances ($M)

Particulars	2021	2022	2023	2024	2025
Forecast external revenues (OEB-approved)	14.5	13.7	12.7	12.6	12.5
Actual external revenues	9.6	9.5	9.0	11.3	13.8
Variance (A)	4.9	4.2	3.7	1.3	(1.3)
Forecast external revenues COS (OEB-approved) [10]	4.0	4.1	6.0	6.3	6.5
Actual COS	3.4	2.2	2.5	3.3	2.8
Variance (B)	(0.6)	(1.9)	(3.5)	(3.0)	(3.7)
Net variance (C = A + B) (ties to principal activity in DVA continuity)[11]	4.3	2.3	0.2	(1.7)	(5.0)

As at December 31, 2025, there is a debit $0.4M balance in the variance account, inclusive of accrued interest. The balance in this account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $0.4M as at December 31, 2027.

3.15 RIGHTS PAYMENTS VARIANCE ACCOUNT (ACCOUNT 2405)

The Rights Payments Variance Account was approved in the OEB's decision on Hydro One's Transmission 2011 and 2012 revenue requirement (EB-2010-0002). In the OEB's decision for 2023-2027 Transmission revenue requirement (EB-2021-0110), the OEB

[10] Approved amounts for 2021, 2022, 2024, and 2025 are based on escalation factors built upon base years and subsequent years in their respective rebasing rate applications.
[11] The annual differences presented in this table do not reconcile with the yearly principal additions shown in the Transmission DVA Continuity (Exhibit G-01-07, Attachment 1). This is primarily due to minor out-of-period adjustments recorded in 2024 and 2025. Notwithstanding these timing adjustments, the cumulative differences presented in this table are consistent with the total principal additions reflected in the DVA Continuity.

approved continuance and modification of this account. Hydro One Transmission uses this account to capture the difference between the forecast rights payments approved by the OEB for 2023-2027 and the actual rights payments incurred. The balance in the account reflects these differences.

Rights payments include the following:

1) Payments of fees under agreements or permits with railway companies and government entities for rights to cross and/or occupy their properties;
2) Payments of annual rental fees under permits and agreements from or with the Department of Indian and Northern Affairs Canada, through which Hydro One had approvals for its lines and stations to cross and/or occupy First Nation Reserves; and
3) Payments required to obtain all required consents necessary (including Long Term Relationship Agreements or similar, regardless of how those payments are characterized or their form) to complete the transfer of title to Hydro One for use and occupation of lands relating to transmission lines.

Rights payments are generally paid when Hydro One line facilities cross and/or occupy properties owned by other groups (example – First Nations, railway companies). Actual rights payments are included in total OM&A costs in the audited financial statements.

Table 11 below provides a summary of the differences between OEB-approved rights payments and actuals from 2021 to 2025.

Table 11 - Rights Payments Variances ($M)

Particulars	2021	2022	2023	2024	2025
Forecast rights payments (OEB-approved)[12]	7.0	7.2	8.9	9.4	9.7
Actual rights payments incurred	6.1	7.1	7.4	7.6	11.0
Variance (ties to principal activity in DVA continuity)	(0.9)	(0.1)	(1.5)	(1.8)	1.3

As at December 31, 2025, there is a credit balance of $3.5M in this variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $3.7M as at December 31, 2027.

3.16 PENSION COST DIFFERENTIAL VARIANCE ACCOUNT (ACCOUNT 2405)

The Pension Cost Differential Variance Accounts have been approved for both Hydro One Transmission and Hydro One Distribution. For Hydro One Transmission, this account was approved in Hydro One Transmission's 2007 and 2008 revenue requirement (EB-2006-0501). In the OEB's decision for 2023-2027 Transmission revenue requirement (EB-2021-0110), the OEB approved continuance of this account. Hydro One Transmission uses this account to track the difference between the OM&A portion of pension cost estimates based on actuarial assessments used for the Application and the actual OM&A portion of pension contributions. The balance in the account reflects these differences. Actual pension costs are included in total OM&A costs (reflecting the OM&A portion) and property, plant, and equipment balances (reflecting the capitalized portion) in the audited financial statements.

Table 12 below provides a summary of the differences between OEB-approved OM&A portion of pension cost estimates and the actuals from 2021 to 2025.

[12] Approved amounts for 2021, 2022, 2024, and 2025 are based on escalation factors built upon base years and subsequent years in their respective rebasing rate applications.

Table 12 - Transmission OM&A Portion of Pension Costs Variances ($M)

Particulars	2021	2022	2023	2024	2025
Forecast OM&A portion of pension cost estimates (OEB-approved)[13]	9.5	9.7	11.3	11.9	12.3
Actual OM&A portion of pension contributions	9.9	11.5	6.9	7.2	5.9
Variance (ties to principal activity in DVA continuity)	0.4	1.8	(4.4)	(4.7)	(6.4)

As at December 31, 2025, there is a credit $13.8M balance in this variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $14.5M as at December 31, 2027.

3.17 DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT (ACCOUNT 2405)

The Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Accounts have been approved for both Hydro One Transmission and Hydro One Distribution. In EB-2019-0082, the OEB approved the establishment of a new asymmetrical cumulative variance account to record differences between the revenue requirement associated with asset removal cost forecasts included in the proposed depreciation expenses and actual asset removal costs incurred in each of the test years, including tax impacts. In EB-2021-0110, the OEB approved continuance of this account. The balance in the account reflects these differences. Actual asset removal costs are included in total depreciation, amortization, and asset removal costs in the audited financial statements.

[13] Approved amounts for 2021, 2022, 2024, and 2025 are based on escalation factors built upon base years and subsequent years in their respective rebasing rate applications.

Table 13 below provides a summary of the differences between OEB-approved asset removal costs and actual asset removal costs incurred from 2020 to 2025.

Table 13 - Transmission Asset Removals Variances ($M)

Particulars	2021	2022	2023	2024	2025
Forecast asset removal costs (OEB-approved)	59.7	61.5	57.4	59.2	66.1
Actual asset removal costs	46.9	57.1	58.3	56.9	52.8
Variance	(12.8)	(4.5)	0.9	(2.3)	(13.3)
Prior Year offsets (Cumulative asymmetrical account)				0.9	
Total Variance to be recorded (A)	(12.8)	(4.5)	no entry	(1.4)	(13.3)
Tax Gross-Up (B)	(3.4)	(0.4)	no entry	(0.3)	(3.3)
Total Variance (C = A + B) (ties to principal activity in DVA continuity)	(16.2)	(4.9)	-	(1.7)	(16.6)

As revenue requirement includes tax, this account should include the tax impact associated with the difference in the asset removal costs. The balance requested for disposition includes the applicable grossed up tax impacts.

As at December 31, 2025, there is a credit $43.5M balance in this variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $45.5M as at December 31, 2027.

3.18 MISALLOCATED FUTURE TAX SAVINGS CARRYING CHARGES (ACCOUNT 1508)

This account was approved for creation in the EB-2020-0194 proceeding on April 8, 2021. This account is used to record interest on the outstanding principal balance of the misallocated future tax savings over the approved recovery period. The misallocated future tax savings were approved for recovery over a two-year period commencing on July 1, 2021. The balance in this account reflects the residual accumulated interest since the

disposition of the previously approved balance in EB-2020-0194. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

3.19 TRANSMISSION SALE OF PROPERTIES DEFERRAL ACCOUNT (ACCOUNT 2405)

The Sale of Properties Deferral Account was established for both Hydro One Transmission and Distribution as part of the 2023-2027 Custom IR proceeding. For Hydro One Transmission, the account contains two sub-accounts:

- A Revenue Requirement Impacts sub-account to record the revenue requirement impact, including taxes, associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio, which are being recovered in rates but no longer owned by Hydro One during all or part of the 2023-2027 Custom IR term; and
- A Gain/Loss on Sale sub-account to record the after-tax gains or losses from the sale of land and buildings in the General Plant Facilities and Real Estate portfolio recovered in rates, during the 2023-2027 Custom IR term.

Table 14 provides a summary of the sale of properties and associated entries into the account for the 2023-2025 period.

Table 14 -Transmission Sale of Property Account Entries ($M)[14]

Year	Property Sale	Revenue Requirement	After Tax (Gain)/Loss	Account Entry
		A	B	C = A+B
2023	Milton SS Land	0.0	(2.3)	(2.3)
2024	St. Thomas Partial Land	0.0	(0.5)	(0.5)
2025	Whitby TWP Vacant Land	0.0	(0.3)	(0.3)
Total		0.0	(3.0)	(3.1)

[14] Figures presented in the tables may not sum to the totals shown due to rounding.

Hydro One performed a review of its land and buildings in the General Plant Facilities and Real Estate portfolio and identified no properties that are no longer used or useful and will be sold in 2026 and 2027.

As at December 31, 2025, there is a credit balance of $3.3M in this deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $3.5M as at December 31, 2027.

3.20 EARNINGS SHARING MECHANISM (ESM) DEFERRAL ACCOUNT (ACCOUNT 2435)

The ESM Deferral Accounts have been approved for both Hydro One Transmission and Hydro One Distribution. In EB-2019-0082, the OEB approved the establishment of a new ESM deferral account for Hydro One Transmission to record 50% of earnings that exceed the approved regulatory ROE in the EB-2019-0082 Application by more than 100 basis points in any year of the three-year custom IR term. The calculation of the actual ROE uses the OEB-approved mid-year rate base for that period. The ROE calculation is normalized for revenue impacting items such as entries recorded in the year which relate to prior years to normalize the in-year net income. The customers' share of the excess earnings are grossed-up for the associated tax impact. In EB-2021-0110, the OEB approved continuance of this account.

Pursuant to the OEB's Decision and Order on Hydro One's Custom IR Application (EB-2021-0110), the OEB directed Hydro One to dispose of the ESM deferral account balances for 2021-2024 in the 2026 Transmission Annual Update. Hydro One Transmission last disposed of this account as at December 31, 2024, on a final basis, in the 2026 Annual Update proceeding (EB-2025-0159).

Table 15 provides a summary of the calculation for the 2025 ESM:

Table 15 - 2025 ESM Calculation ($M)

Particulars	Calculation	2025
Mid-Year Rate base (OEB-approved)		16,271.0
Adjustments to Rate Base - Note 1		($4.97)
Adjusted Rate Base	A	16,266.0
Capital Structure:		
Long-term debt	B	56%
Short-term debt	C	4%
Common equity	D	40%
Allowed Return:		
Long-term debt	E	4.30%
Short-term debt	F	4.79%
Allowed ROE	G	9.36%
Regulated Net Income (actual)	H	826.2
Achieved ROE	I =H / (A x D)	12.70%
Allowed ROE	J	9.36%
Over/(under) earning (%)	K = I - J	3.34%
OEB allowed earnings threshold	L	1%
Over/(under) earning to allowed threshold (%)	M = K -L	2.34%
Excess Earnings Pool	N = A x Dx M	152.1
Sharing with ratepayers	O	50%
Sharing with ratepayers	P = N x O	76.1
Tax Grossed-Up Amount	Q = P / 0.735	103.5

Note 1
Rate base adjusted for differences between ISA versus OEB-approved for Externally Driven Work. Reduce rate base by cost of property sold that was part of rate base. These adjustments are necessary as corresponding income impact was already factored in regulated net income.

As at December 31, 2025, there is a credit balance of $173.1M in this deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date, net of drawdowns from approved dispositions in 2026. This will result in a forecast credit balance of $109.6M as at December 31, 2027.

4.0 TRANSMISSION ACCOUNTS NOT SOUGHT FOR DISPOSITION

4.1 ATP ACCOUNT – PROJECT CONSTRUCTION COSTS TRACKING ACCOUNT (ACCOUNT 1508)

The OEB approved the establishment of the ATP Account for Hydro One Transmission effective May 28, 2021 via an Accounting Order in EB-2021-0169. The ATP Account consists of two sub-accounts, the (i) ATP - Project Development, Preliminary Engineering and Planning Work deferral account (the deferral account), and the (ii) ATP – Project Construction Costs tracking account (the tracking account).

The ATP Account is used to record and track costs for transmission line projects where both of the following criteria apply:

- Hydro One has or will receive a letter from the Independent Electricity System Operator (IESO) identifying transmission system needs, and/or an Order in Council or direction of the Minister of Energy and Mines (the Ministry) in respect of Hydro One or its OEB Transmission License for the development or construction of a transmission project; and,
- All or part of the project is expected to be owned by and included in the rate base of a new partnership between Hydro One and one or more partners, as a licensed transmitter, and will not form part of Hydro One’s rate base.

Table 16 below provides a summary of the projects in the tracking account as at December 31, 2025.

Table 16 - ATP Tracking Summary (as at December 31, 2025)

Project Name	Amounts Tracked ($M)
Waasigan	446.3
Welland Thorold	15.6
Lambton x Chatham	182.5
Longwood x Lakeshore P1	36.0
New Longwood x Lakeshore P2	1.7
Lakeshore x Windsor	1.8
Mississagi x Hanmer Reinforcement	17.9
Mississagi x Third Line Reinforcement	16.7
Porcupine x Wawa Reinforcement	6.8
Durham Kawartha Power Line	21.0
Bowmanville SS to GTA	0.4
Total	**746.8**

As at December 31, 2025, the ATP tracking account has a debit balance of $746.8M. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

Hydro One Transmission is not requesting disposition of the balance in this account, as this is a tracking account meant to provide transparency and regulatory efficiency for costs incurred on projects that will eventually be transferred to a new, distinct partnership. In the event a particular transmission affiliate that has received approval to be recorded in the ATP account is ultimately not placed in-service, Hydro One Transmission would seek recovery of the tracked amounts.

4.2 CAPITAL CONTRIBUTION TRACKING DIFFERENTIAL ACCOUNT – BARRIE AREA TRANSMISSION UPGRADE (BATU) (ACCOUNT 1508)

The Capital Contribution Tracking Differential Account was approved by the OEB in EB-2018-0117 on April 23, 2020, with the decision on the accounting order approved on June 11, 2020. This sub-account tracks InnPower’s total capital contribution payable to Hydro One and records the annual capital contribution payments made to Hydro One by InnPower.

4.3 LONG-TERM TRANSMISSION FUTURE CORRIDOR ACQUISITION AND DEVELOPMENT DEFERRAL ACCOUNT (ACCOUNT 1508)

The Long-Term Transmission Future Corridor Acquisition and Development deferral account was approved in the OEB's decision for Hydro One Transmission's 2013 and 2014 revenue requirement (EB-2012-0031). In subsequent proceedings including EB-2021-0110, the OEB approved continuance of this account. This account records transmission planning and study costs associated with preliminary corridor routing considerations for new transmission infrastructure. In order to ensure land corridor availability in near-urban areas, long term investment planning is required. The costs recorded in the account are associated with land assessment work, such as environmental studies and other assessments, preliminary engineering studies, public and First Nations/Métis consultations, etc. The outcomes of this work are helpful in making siting determinations for new corridors and in setting aside the required land for planning purposes, thus ensuring its availability and affordability when the project proceeds.

As at December 31, 2025, this deferral account has a balance of $0. No costs of this nature have been recorded in this account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

4.4 PENSION AND OPEB FORECAST ACCRUAL VERSUS ACTUAL CASH PAYMENT DIFFERENTIAL VARIANCE (TRACKING ACCOUNT) (ACCOUNT 1522)

The Pension and OPEB Forecast Accrual Versus Actual Cash Payment Differential Variance (tracking) account was established on a generic basis in the OEB's Report on the Regulatory Treatment of Pension and OPEB Costs (Pension Report, EB-2015-0040) and is thereby authorized for use, separately, by both Hydro One Transmission and Hydro One Distribution. The OEB's Pension Report established the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost of service or custom incentive rate-setting applications. This variance account tracks the difference between the forecasted accrual amount in rates and actual cash payment(s)

made, with an asymmetric carrying charge in favour of customers applied to the differential. The effective date on this variance account was January 1, 2018.

The balance being tracked in this account is based on Hydro One's modified methodology for calculating the OPEB asymmetrical carrying charge account accepted by the OEB in EB-2021-0110. As at December 31, 2025, the tracking account for Hydro One Transmission has a credit balance of $169.4M. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

Hydro One Transmission is not requesting disposition of this balance, as this is a tracking account meant to provide visibility on the difference between the forecasted accrual amount in rates and actual cash payments made.

4.5 CLEAN ENERGY TAX CREDIT DEFERRAL ACCOUNT (ACCOUNT 2405)

The Clean Energy Tax Credit Deferral Accounts have been approved for both Hydro One Transmission and Hydro One Distribution. In EB-2021-0110, the OEB approved the establishment of this deferral account to record the revenue requirement impacts of eligible new tax credits associated with investments in net-zero technologies, battery storage solutions and clean hydrogen that may be established by the Government of Canada.[15]

As at December 31, 2025, this deferral account has a balance of $0. There have been no eligible investments that warrant the recording of a tax credit. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

4.6 EXCESS EXPORT SERVICE REVENUE VARIANCE ACCOUNT (ACCOUNT 2405)

The Excess Export Service Revenue Variance Account was approved for creation in the OEB's decision for Hydro One's 2009 and 2010 Transmission revenue requirement on

[15] As contemplated in the 2022 Federal Budget on April 7, 2022

May 28, 2009 (EB-2008-0272). In subsequent proceedings including EB-2021-0110, the OEB approved the continuance of this account. The OEB required that Hydro One Transmission continue to capture any differences between forecast export service revenue approved by the OEB, as part of its 2023-2027 transmission rates, and the actual export service revenue. The balance in this account reflects these differences.

Pursuant to the OEB's Decision and Order on Uniform Transmission Rates-Related Issues and the Export Transmission Service Rate in EB-2021-0243, the OEB directed Hydro One to dispose of the Excess Export Service Revenues Variance Account balance on an annual basis, commencing when the 2023 balance was final until the effective date of its next rebasing application. [16] Hydro One Transmission last disposed of this account as at December 31, 2024, on a final basis, in the 2026 Transmission Annual Update proceeding (EB-2025-0159). Hydro One Transmission has requested disposition of this account as at December 31, 2025 on a final basis in the Hydro One Transmission 2027 Annual Update proceeding (EB-2026-0169).

As part of the OEB's decision in EB-2021-0110, the OEB approved an Export Transmission Services (ETS) rate of $1.86/MWh and approved the Hydro One Transmission forecast at $37.3M in revenue for 2025. Actual export service revenues were $40.8M for 2025. Actual export service revenues are included in total revenues in the audited financial statements.

As at December 31, 2025, there is a credit balance of $3.7M in the variance account, inclusive of accrued interest. The balance in this account is reported to the OEB on an annual basis, consistent with the OEB's Reporting and Record Keeping Requirements.

Hydro One is not proposing disposition of the audited 2025 balance in this proceeding because disposition of this balance has been requested in the 2027 transmission rates proceeding (EB-2026-0169), pursuant to the Decision in EB-2021-0243. If there is an

[16] EB-2021-0243, Decision and Order, November 24, 2022

opportunity to update the DVA continuity schedules to dispose of 2026 actuals, Hydro One will seek disposition of the 2026 balance in this account, as appropriate.

4.7 EXTERNAL REVENUE – PARTNERSHIP TRANSMISSION PROJECTS DEFERRAL ACCOUNT (ACCOUNT 2405)

The External Revenue – Partnership Transmission Projects Deferral Account was approved as part of the Settlement Proposal for 2013 and 2014 Transmission revenue requirement (EB-2012-0031) to allow Hydro One to record costs related to services provided by Hydro One to partnership opportunities (e.g. for work not directly to the benefit of Hydro One Transmission's customers prior to establishing the partnership). In subsequent proceedings including EB-2021-0110, the OEB approved continuance of this account. These costs would be invoiced to the appropriate partnered company, and current transmission revenues equal to the invoiced amount would be recorded in this account for reduction of future transmission revenue requirement.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

4.8 TRANSMITTER DOUBLE PEAK BILLING ACCOUNTS (ACCOUNT 1512)

On November 27, 2025, the OEB issued a Decision and Rate Order (Decision) on Double-Peak Billing and Gross Load Billing Exemptions in its second phase of a generic proceeding related to Ontario's Uniform Transmission Rates (UTRs).[17] The Decision approved DVAs for transmitters to later recover refunds for double-peak billing events related to planned transmission outages, and the administrative costs associated with determining and issuing those refunds.

The Transmitter Double Peak Billing Accounts are comprised of the following accounts:

- Account 1512 - Transmitter-Issued Double-Peak Billing Refunds

[17] EB-2022-0325, Generic Hearing on UTRs – Phase 2, November 27, 2025

- Account 1512 - Transmitter-Issued Double-Peak Billing Refunds, Carrying Charges
- Account 1512 - Sub-account Transmitter-Issued Double-Peak Billing Incremental Administrative Costs
- Account 1512 - Sub-account Transmitter-Issued Double-Peak Billing Incremental Administrative Costs, Carrying Charges

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

5.0 DISTRIBUTION ACCOUNTS SOUGHT FOR DISPOSITION

Hydro One Distribution's Group 1 balances were last disposed on a final basis as of December 31, 2024, except for the 2023 and 2024 Accounts 1588 and 1589 which were approved on an interim basis. [18] In this Application, Hydro One Distribution's Group 1 balances reflect the 2025 balances at the time of filing.

Hydro One Distribution's Group 2 balances were last disposed as of December 31, 2020. In this Application, Hydro One Distribution's Group 2 balances reflect the 2025 balances at the time of filing. Hydro One Distribution is requesting disposition of its Group 2 account balances in this proceeding, except for certain accounts described in section 6 of this exhibit below.

Hydro One intends to update, during the course of this proceeding, the balances of all Group 1 and Group 2 accounts for which disposition is requested in this Application to reflect 2026 audited actuals.

[18] EB-2025-0030, Partial Decision and Order, December 17, 2025, p. 22

Integration of Chapleau

On April 18, 2024, the OEB approved the sale of CPUC's distribution system assets to Hydro One (EB-2023-0328). The transaction closed on August 1, 2024 and, as part of the acquisition agreement, the distribution customers of Chapleau were moved to corresponding Hydro One rate classes.[19] Hydro One is requesting disposition of CPUC's Group 1 and Group 2 accounts in this Application.

Orillia and Peterborough Rate Zones

Hydro One is not requesting disposition of 2025 Orillia and Peterborough rate zones Group 1 accounts in this proceeding. The Group 1 accounts will be requested for disposition in their 2028 IRM application, such that the 2025 balances are disposed in the same year, concurrent with the disposition of the 2025 Distribution Group 1 balances in its 2028-2032 rebasing application. This approach aligns with the disposition of all rate zone balances in the 2028 rate proceedings to be consistent with the OEB's approach to approve overall balance, the allocation and disposition of the individual balances all at the same time.[20]

Hydro One is not requesting disposition of Orillia and Peterborough rate zones (RZs) Group 2 regulatory account balances in this Application. The Orillia and Peterborough RZs ten-year deferred rebasing period expires on August 31, 2030 and July 31, 2030 respectively. Hydro One intends to request disposition of the Group 2 accounts in the IRM application for 2030 rates. Thereafter, Orillia and Peterborough RZ rates will be harmonized into the Hydro One Distribution rate structure in 2031.

5.1 LOW VOLTAGE VARIANCE ACCOUNT (ACCOUNT 1550)

The Low Voltage Account was established by the OEB effective May 1, 2006 to record the variances arising from low voltage transactions which are not part of the electricity

[19] Confirmed in the August 2, 2024 Transaction Close and Integration Complete letter (EB-2023-0328)
[20] EB-2026-0049, Application, Exhibit A-04-05, section 1.6, p. 13

wholesale market. Embedded distributors use account 1550 to record LV charges for which an LV amount was included in distribution rates.

As at December 31, 2025, this variance account has a debit balance of $1.96M. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date and is net of approved dispositions during 2026. This will result in a forecast account debit balance of $2.1M as at December 31, 2027.

5.2 GROUP 1 - SMART METER ENTITY (SME) CHARGE VARIANCE ACCOUNT (ACCOUNT 1551)

The SME variance account was established pursuant to the OEB's decision issued March 28, 2013 (EB-2012-0100/EB-2012-0211). The account is used to track the difference between the monthly settlement invoice received from the IESO, and the amount billed to the distributor's customers for the SME charge.

On March 23, 2018, a letter was issued from the OEB to all licensed electricity distributors indicating that they expect them to continue using the smart meter entity charge variance account to record the difference between the smart metering charge paid to the Smart Metering Entity (effectively, the IESO) and amounts charged to customers. On September 8, 2022, the OEB issued a decision in EB-2022-0137 approving a lower Smart Metering Entity Charge of $0.42/meter per month from January 1, 2023 to December 31, 2027. Hydro One confirms that it is following the accounting guidance with respect to changes to the Smart Metering Entity Charge set out in the OEB's March 23, 2018 letter.

In the 2023-2027 Custom IR application (EB-2021-0110), the OEB approved continuance of this variance account. As at December 31, 2025, this variance account had a credit balance of $2.2M, inclusive of accrued interest. The 2024 audited balances were disposed of in Hydro One Distribution's 2026 Annual Update (EB-2025-0030). This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the

proposed effective date and is net of approved dispositions during 2026. This will result in a forecast credit balance of $0.8M as at December 31, 2027.

5.3 GROUP 1 - RETAIL SETTLEMENT VARIANCE ACCOUNT (RSVA)

The RSVAs have been established pursuant to Article 490 of the Accounting Procedures Handbook, which requires all distributors to establish such accounts to record the differences between the amounts owed to the IESO/host distributors and the amount billed to customers and retailers. The 2024 audited balances were last disposed of in Hydro One Distribution's 2026 Annual Update (EB-2025-0030).[21] The RSVA accounts are comprised of: 1580 (RSVA – Wholesale Market Service Charge), 1584 (RSVA – Retail Transmission Network Charge), 1586 (RSVA – Retail Transmission Connection Charge), 1588 (RSVA – Power) and 1589 (RSVA – GA).

In April 2015, as documented in the OEB's letter entitled 'Accounting Guidance on Capacity Based Recovery (CBR)', the IESO established a transitional initiative entitled Capacity Based Demand Response to recover the costs of the demand response market program through uplift charges under charge types 1350 and 1351. Hydro One confirms that it has continued to follow the OEB's accounting guidance on the disposition of the CBR variances.

A reconciliation of cost of power (COP) revenues and expenses for year-end balances for 2025 is provided in Table 17. Hydro One Distribution matches the COP revenues and the COP expense, with the difference between the two values recorded in the variance accounts. However, for USoA reporting, the higher of either COP revenues and COP expense is reduced to match the other, with the difference going to the variance account. The two methods result in the same balance in the variance account, and the same COP revenues (net of COP expense) as shown below.

[21] In the EB-2025-0030 Partial Decision and Order, Accounts 1588 and 1589 were approved to be disposed of on an interim basis.

Table 17 - 2025 Cost of Power Revenues and Cost of Power Expense ($M)[22]

Description	Audited 2025 Financial Statements	USoA Reporting	Delta
Cost of Power Revenues			
Commodity	2,960.9	2,957.1	3.8
Global Adjustment (GA)	406.5	406.5	-
Billed - Wholesale Market Service Charge (WMSC)	146.3	146.3	-
Billed - Networks	483.7	483.7	-
Billed - Connection	334.5	334.5	-
Billed - Low Voltage	2.0	-	2.0
Total	**4,333.9**	**4,328.1**	**5.8**
Cost of Power Expense			
Commodity	2,960.9	2,957.1	3.8
Global Adjustment (GA)	406.5	406.5	-
Billed - Wholesale Market Service Charge (WMSC)	146.3	146.3	-
Billed - Networks	483.7	483.7	-
Billed - Connection	334.5	334.5	-
Billed - Low Voltage	2.0	-	2.0
Total	**4,333.9**	**4,328.1**	**5.8**

The delta in Table 17 above captures the difference between Hydro One's reporting requirements for external financial statements (which is to adjust the COP revenues to match the COP expense) versus the USoA methodology (which is to adjust the higher of the COP revenues or COP expense). A delta exists for the commodity and low voltage account because the commodity and low voltage costs were higher than the sales; therefore, under the USoA methodology, the COP expense was adjusted for. For all other accounts, the revenues were higher than the cost; therefore, the results were the same under both methods.

As of December 31, 2025, there is a credit balance of $285.0M in the RSVA variance accounts, inclusive of accrued interest. This account is reported to the OEB on an annual

[22] Note that numbers presented in charts may not add to the total due to rounding.

basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027, to reflect carrying charges anticipated through to the proposed effective date, net of approved dispositions during 2026. This will result in a forecast credit balance of $208.5M as of December 31, 2027.

5.4 GROUP 1 – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES – MISALLOCATED FUTURE TAX SAVINGS (PRINCIPAL AND CARRYING CHARGES) IN ACCOUNT 1595 (2021)

The misallocated future tax savings account was approved for establishment in the EB-2020-0194 proceeding. This account tracks the difference between the amount of misallocated future tax savings approved in EB-2020-0194 and the amount recovered during the approved recovery period, and carrying charges on the net amount remaining during the approved recovery period. This rate rider expired on June 30, 2023 and two years have passed since the expiration date. Therefore, Hydro One Distribution is requesting final disposition of the remaining rate rider balance in this Application.

5.5 GROUP 2 - OEB COST ASSESSMENT VARIANCE ACCOUNT (ACCOUNT 1508)

The OEB Cost Assessment Variance Account has been approved for both Hydro One Transmission and Hydro One Distribution. For Hydro One Distribution, this account was approved for creation in the OEB's decision for 2010 and 2011 distribution rates (EB-2009-0096). In the OEB's letter to the industry dated February 9, 2016, entitled "Revisions to the Ontario Energy OEB Cost Assessment Model", the OEB authorized the establishment of Account 1508 'Other Regulatory Assets', Sub-Account 'OEB Cost Assessment Variance'. The OEB authorized this account to record any material differences between the annual OEB cost assessment currently approved in rates and the actual OEB cost assessment amounts charged to Hydro One Distribution that would result from the application of the new cost assessment model effective April 1, 2016.

Some utilities ceased using this account in their cost-based applications following the guidance provided in the 2016 Letter. However, in light of the newly approved budget

under the cost assessment model in 2025, the OEB determined that reactivating this account was necessary. This will ensure proper tracking and recording of material variances between the cost assessments embedded in rates and those resulting from the updated model. The reactivation of this account became effective on April 1, 2025.[23]

The 2025 OEB cost assessments embedded in rates were $4.9M and actual costs were $6.5M, resulting in a debit amount of $1.7M for the year.

As at December 31, 2025, there is a debit balance of $1.7M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date. This will result in a forecast debit balance of $1.8M as at December 31, 2027.

In an effort to reduce regulatory and administrative burden and streamline the number of regulatory accounts maintained by Hydro One Distribution, Hydro One proposes to include forecast balances for the OEB Cost Assessment Variance Account for 2026 and 2027 for disposition as part of this Application. Given the predictable nature of these costs, Hydro One Distribution does not expect material differences between forecast and actual balances, resulting in limited risk associated with the proposed approach.

Table 18 - 2026 and 2027 OEB Cost Assessments Forecast Amounts($M)

Year	OEB Cost Assessments Embedded in Rates	Forecast Costs	Variance
2026	$6.7	$10.4	$3.7
2027	$6.9	$10.7	$3.8

[23] OEB Letter: Cost Assessment – Fiscal Year 2025/2026 dated October 1, 2025

5.6 GROUP 2 - LONG TERM LOAD TRANSFER (LTLT) RATE IMPACT MITIGATION DEFERRAL ACCOUNT (ACCOUNT 1508)

The LTLT Rate Impact Mitigation Deferral Account was approved to be established in the joint application for the elimination of load transfer arrangements between Hydro One Networks Inc. and Hydro Ottawa Limited on August 18, 2016 (EB-2016-0167). In subsequent proceedings including EB-2021-0110, the OEB approved the continuance of this account.

In the EB-2016-0167 decision, the OEB approved the elimination of the load transfer arrangements between the two distributors consistent with the OEB's LTLT policy as documented in the amended Distribution System Code (DSC) section 6.5.3, dated December 21, 2015. The OEB also recognized that the affected Residential and General Service rate class customers moving from Hydro Ottawa to Hydro One shall receive a monthly bill credit to offset the increase in delivery charges, as prescribed in section 6.5.4 of the DSC. This deferral account continues to be used to record the lost revenue resulting from the rate impact mitigation plans for various impacted customer rate classes across dozens of LTLT elimination applications with neighbouring LDCs, where customers are moving to Hydro One in accordance with the amended DSC. More recently, this account was used for impacted Halton Hills customers (EB-2024-0343).

As at December 31, 2025, there is a debit balance of $1.3M in the deferral account, inclusive of accrued interest. In accordance with the OEB's direction provided in the Amendments to the Distribution System Code (EB-2015-0006), any customers moving from their previous geographic distributor to Hydro One Networks (the Former LTLT Customer) will receive a monthly bill credit to offset the increase in delivery charges that the Former LTLT Customer will pay due to the LTLT elimination. The monthly bill credit is calculated using the Former LTLT Customer's average monthly consumption over the most recent 12 months at the time the LTLT elimination application was filed with the OEB. The bill credit, once approved by the OEB, is fixed at the calculated level and remains in place as long as the Former LTLT Customer remains the account holder. Therefore, the balance in this account is the sum of the OEB-approved monthly LTLT credits that have

been applied up until December 31, 2025, in order to satisfy the OEB's requirements to eliminate all LTLTs with dozens of other utilities across the province, as outlined in the DSC and directed in EB-2015-0006.

This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $1.4M as at December 31, 2027.

5.7 GROUP 2 – CUSTOMER CHOICE INITIATIVE DEFERRAL ACCOUNT (ACCOUNT 1508)

On September 16, 2020, the OEB issued an accounting order for the establishment of a deferral account to record impacts arising from implementing the Customer Choice Initiative, which enables electricity consumers on the Regulated Price Plan to opt out of time-of-use prices and to elect instead to be charged on the basis of tiered pricing. In this account, electricity distributors may record incremental costs directly attributable to the customer choice initiative. This account remained open until the end of 2022 as costs were still incurred during the year.[24] No costs were recorded in the account after 2022.

As at December 31, 2025, there is a debit balance of $1.4M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $1.5M as at December 31, 2027.

[24] EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, Hydro One Networks Inc., Appendix A, November 29, 2022, p. 88 of 117

5.8 GROUP 2 - OPEB COST DEFERRAL ACCOUNT (ACCOUNT 1508)

The OPEB Cost Deferral Account has been approved for both Hydro One Transmission and Hydro One Distribution. In its EB-2019-0082 Transmission decision, the OEB concluded that the non-service cost component of Hydro One's OPEB costs shall be recognized as OM&A for both its Transmission and Distribution businesses. However, since that decision was made outside of a rebasing application for Hydro One Distribution, the OEB recognized that Hydro One Distribution may need to continue accumulating the impacted OPEB costs in the OPEB cost deferral account until its next rebasing application. The last approved balance for disposition was based on the audited 2020 balance in EB-2021-0110. The balance requested for disposition is comprised of 2021 and 2022 amounts with accrued carrying charges. The balance requested for disposition includes the applicable grossed-up tax impacts.

As at December 31, 2025, there is a debit balance of $47.2M in the deferral account, inclusive of the tax-gross up and accrued interest. The principal additions reflect the actual non-service cost component of OPEBs that would have otherwise been capitalized in the absence of ASU 2017-07. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $49.3M as at December 31, 2027.

5.9 GROUP 2 – EXTERNALLY DRIVEN DISTRIBUTION PROJECTS VARIANCE ACCOUNT (ACCOUNT 1508)

The externally driven distribution projects variance account was approved in EB-2021-0110. This account records the revenue requirement impact, including tax, of overspending or underspending relative to Hydro One's distribution capital investment plan which underlies the proposed revenue requirement for the 2023-2027 rate period, where such overspending or underspending is for work related to Joint Use and Relocations (D-SA-01), and variances in relation to Custom Demand DER (D-SA-03) updates or DER connections, but only triggered by specific IESO procurement initiatives.

As a symmetrical account, the variation in externally driven investments relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to customers and overspend to be recovered from customers.

Table 19 below provides a summary between planned in-service additions and the actual in-service additions arising from externally driven work from 2023 to 2025.

Table 19 - Externally Driven Distribution Projects Variance Account ISA and Recorded Revenue Requirement ($M)

Calculation	Particulars	2023	2024	2025
A	Baseline ISA[25]	28.2	32.8	30.0
	Actual ISA			
B	*D-SA-01 - Joint Use and Relocations*	50.4	38.9	34.0
C = B - A	Variance	22.2	6.0	4.0
	Revenue Requirement Variance	**0.2**	**1.8**	**2.2**

As at December 31, 2025, there is a debit balance of $4.2M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date. This will result in a forecast debit balance of $4.4M as at December 31, 2027.

5.10 GROUP 2 – ULTRA-LOW OVERNIGHT (ULO) IMPLEMENTATION COSTS DEFERRAL ACCOUNT (ACCOUNT 1508)

On October 18, 2022, the OEB gave notice of proposed amendments to the Standard Supply Service Code and the Regulated Price Plan (RPP) Manual to implement a new optional ULO price plan for electricity consumers on the RPP. The Notice stated that the OEB would allow distributors to track the revenue requirement impacts of their material costs of implementing the ULO option in a deferral account and accordingly, a generic accounting order was issued on March 2, 2023.

[25] EB-2021-0110, Decision, November 29, 2022, Settlement Agreement - Issue 29, Table 40.

As at December 31, 2025, there is a debit balance of $0.3M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $0.3M as at December 31, 2027.

In an effort to reduce regulatory and administrative burden and streamline the number of regulatory accounts, Hydro One proposes to include forecast balances for the ULO Implementation Costs Deferral Account for 2026 and 2027 for disposition as part of this Application, as shown in Table 20. The forecast balances represent the annual revenue requirement amounts derived from the in-serviced asset in 2023. Given the predictable nature of these costs, Hydro One Distribution does not expect material differences between forecast and actual balances, resulting in limited risk associated with the proposed approach.

Table 20 - Forecast 2026 and 2027 Revenue Requirement for ULO Implementation Costs Deferral Account ($M)

Year	Forecast Revenue Requirement
2026	$0.6
2027	$0.6

5.11 GROUP 2 – SEASONAL CLASS ELIMINATION DEFERRAL ACCOUNT (ACCOUNT 1508)

In EB-2022-0145, Hydro One requested the OEB to approve the following:

- Exemptions from sections 2.6.1A and 2.10.2 of the Distribution System Code (DSC) for the approximately 148,000 customers who would be transitioned from Hydro One’s seasonal rate class to one of three other Hydro One residential rate classes according to their respective density. Those sections, and the requested exemptions, relate to billing frequency and the number of estimated bills a

distributor may issue. Hydro One asked that the exemptions be effective until December 31, 2027.

- The establishment of a deferral account to record the costs associated with the implementation of the seasonal rate class elimination.

On September 1, 2022, the OEB approved Hydro One's application and accordingly, approved the establishment of a deferral account to record the revenue requirement impact of the costs associated with implementing the seasonal class elimination. The account became effective on January 1, 2022.

As at December 31, 2025, there is a debit balance of $0.1M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $0.2M as at December 31, 2027.

In an effort to reduce regulatory and administrative burden and streamline the number of regulatory accounts, Hydro One proposes to include forecast balances for the Seasonal Class Elimination Deferral Account for 2026 and 2027 for disposition as part of this Application, as shown in Table 21. The forecast balances represent the annual revenue requirement amounts derived from the in-serviced asset in 2023. Given the predictable nature of these costs, Hydro One Distribution does not expect material differences between forecast and actual balances, resulting in limited risk associated with the proposed approach.

Table 21 - Forecast 2026 and 2027 Revenue Requirement for Seasonal Class Elimination Deferral Account ($M)

Year	Forecast Revenue Requirement
2026	$0.4
2027	$0.4

5.12 GROUP 2 – GETTING ONTARIO CONNECTED ACT (GOCA) VARIANCE ACCOUNT (ACCOUNT 1508)

The *Getting Ontario Connected Act, 2022, S.O. 2022, C. 9 – Bill 93* (GOCA) came into effect on April 14, 2022. Subsequently, on October 31, 2023, the OEB established an industry-wide generic variance account in EB-2023-0143 to allow all electricity and gas distributors to record the variance between locate costs resulting from Bill 93 and the approved cost included in base rates. Actual locate costs are included in total OM&A costs in the audited financial statements.

Table 22 below provides a summary of the differences between OEB-approved locate costs in rates and the actuals from 2023 to 2025.

Table 22 - Locate Costs Variances ($M)

Particulars	2023[26]	2024	2025	Total
Forecast locate costs in rates (OEB-approved) [27]	$12.3	$14.5	$14.9	$41.7
Actual locate costs incurred	$22.4	$28.7	$27.2	$78.3
Variance (ties to principal activity in DVA continuity) [28]	$10.1	$14.2	$12.3	$36.6

[26] This account tracks variance starting April 1, 2023. The 2023 OEB-approved number was pro-rated based on a weighted cost approach from April to December 2023.
[27] Approved amounts for 2024, and 2025 are based on escalation factors built upon 2023.
[28] The annual differences presented in this table do not reconcile with the yearly principal additions shown in the Distribution DVA Continuity in Exhibit G-01-07, Attachment 2. This is primarily due to minor out-of-period adjustments recorded in 2025. Notwithstanding these timing adjustments, the cumulative differences presented in this table are consistent with the total principal additions reflected in the DVA Continuity.

Hydro One confirms that the amounts recorded in the GOCA variance are both incremental to base rates and are a direct result of Bill 93. The legislation was specifically intended to increase locate activity by imposing stricter compliance obligations, including mandatory timelines and enforcement mechanisms for excavation without valid locates. Hydro One has experienced upward pressure on labour and contractor costs driven by heightened demand for qualified locators and a constrained supply of skilled resources. This pressure was further amplified by the compliance requirements introduced through Bill 93, which imposed stricter timelines and increased the consequences of non-performance. As a result, Hydro One has been required to offer more competitive compensation to third-party service providers to ensure compliance, leading to higher wage rates and delivery costs. These increases are not reflective of normal business-as-usual conditions, but rather reflect a direct outcome of legislation-driven compliance urgency.

Hydro One confirms that it has reflected the GOCA impact in the locate costs included in this Application's test year revenue requirement.

As at December 31, 2025, there is a debit balance of $38.1M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $40M as at December 31, 2027.

5.13 GROUP 2 – CAPACITY ALLOCATION DEPOSIT DEFERRAL ACCOUNT (ACCOUNT 1508)

Per section 6.2.4.1 (f) of the DSC (December 18, 2018 version), if any applicant has its capacity allocation removed in accordance with paragraph (e), the amount of any capacity allocation deposit and or additional capacity allocation deposit paid pursuant to the connection cost agreement requirements in section 6.2.18 shall be forfeited by the applicant and retained by the distributor in a deferral account for disposition by the OEB.

As at December 31, 2025, there is a credit balance of $0.3M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance submitted for approval is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $0.3M as at December 31, 2027.

5.14 GROUP 2 – GREEN BUTTON INITIATIVE COSTS DEFERRAL ACCOUNT (ACCOUNT 1508)

On November 1, 2021, the OEB approved the establishment of a generic deferral account for rate regulated 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. The account became effective on November 1, 2021.

Hydro One confirms that the account balance requested for disposition only includes the incremental costs directly attributable to the implementation of the Green Button initiative and does not include ongoing costs related to Green Button beyond the initial implementation of the program.

As at December 31, 2025, there is a debit balance of $4.0M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $4.2M as at December 31, 2027.

5.15 GROUP 2 – CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT (ACCOUNT 1508)

The capitalized overheads tax variance accounts have been approved for both Hydro One Transmission and Hydro One Distribution in EB-2021-0110. The account records the

revenue requirement impact associated with the net incremental tax benefits arising from additional capitalized overheads deductions for the 2016-2022 period as a result of Hydro One amending its prior tax returns or filing the future returns based on the new tax filing position (the Updated Approach). Amounts were recorded at the earlier of: (i) when the tax return of a particular year is audited by the CRA and the new filing position is accepted as filed, or (ii) when the taxation year becomes statute barred. The variance account also captures variances in the revenue requirement associated with CRA reassessments with respect to the capitalized overhead tax benefits that have been incorporated in the OEB-approved revenue requirement for 2023 to 2027.

Please see Table 23 for the capitalized overhead calculations included for disposition in this account.

Table 23 - Capitalized Overheads Calculations ($M)

Particulars	Calculation	2016	2017	2018	2019	2020	Total
Capitalized Overheads Based on the MoF Ruling	A	26.6	25.8	28.3	32.1	33.4	
Capitalized Overheads with the Updated Approach	B	55.0	53.2	53.0	60.6	61.1	
Additional Overheads Deducted for Tax	C = B - A	28.4	27.4	24.7	28.5	27.7	
Less: Associated CCA Impact from 2022-2025	D	(19.8)	(17.5)	(15.3)	(16.7)	(16.1)	
Net Tax Deduction	E = C + D	8.6	9.9	9.4	11.8	11.6	
Tax Rate	F	30%	30%	30%	30%	30%	
Net Tax Benefit to be returned (before gross up)	G = E * F	2.3	2.6	2.5	3.1	3.1	
Net Tax Benefit to be returned (with gross up)	G / 0.735	3.1	3.6	3.4	4.3	4.2	18.5
Year Entry is Recorded		*2022*	*2022*	*2023*	*2024*	*2025*	

As at December 31, 2025, there is a credit balance of $20.0M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to the proposed effective date. This will result in a forecast credit balance of $21.0M as at December 31, 2027.

Witness: Anthony Nava

5.16 GROUP 2 – EXTENDED HORIZONS VARIANCE ACCOUNT (ACCOUNT 1508)

On March 20, 2025, as part of the Final Rate Order for EB-2024-0092, the OEB established a generic DVA – the Extended Horizons Variance Account. This variance account allows rate-regulated electricity distributors to record the incremental revenue requirement impacts resulting from reductions in the forecasted customer capital contributions embedded in distribution rates. These reductions arise from the extensions of the connection horizon and revenue horizon for forecasted customer connections meeting the criteria described in Appendix B of the Distribution System Code that came into force on December 23, 2024.

Hydro One confirms that Appendix B to the DSC, which sets out the methodology and assumptions for economic evaluations, were adhered to when calculating the incremental revenue requirement impacts. Hydro One confirms that the impact of the expansions of the horizons has been incorporated into the forecast for the test year and beyond.

As at December 31, 2025, there is a debit balance of $0.3M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance submitted for approval is interest forecast through to the proposed effective date. This will result in a forecast debit balance of $0.3M as at December 31, 2027.

5.17 GROUP 2 – DESIGNATED BROADBAND PROJECT IMPACTS DEFERRAL ACCOUNT (ACCOUNT 1508)

Through the *Building Broadband Faster Act (BBFA)* in April 2021, accompanied by amendments to the Ontario Energy Board Act, and further strengthened by the Getting Ontario Connected Act (GOCA) in 2022, the Ontario government established the Broadband program initiative aimed at connecting approximately 700,000 underserved and unserved homes and businesses. The provincial legislation established a requirement for electricity distributors and transmitters to cooperate fully in the timely completion of work to support provincially designated broadband projects.

In a letter dated July 7, 2022, the OEB established a generic deferral account in the Accounting Order (001-2022) to record the impacts pertaining to Ontario Regulation 410/22 (Electricity Infrastructure – Designated Broadband Projects).[29] This account was to be used to record the incremental impacts associated with carrying out activities pertaining to designated broadband projects, including the incremental costs and revenues associated with the project in their service area. Hydro One Distribution confirms that all costs were prudently incurred.

As at December 31, 2025, there is a debit $49.5M balance in this deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast account debit balance of $51.8M as at December 31, 2027.

Table 24 below provides a yearly breakdown of the balance (2022 to 2025) in the designated broadband project impacts deferral account.

[29] OEB Letter RE: *Accounting Order (001-2022) for the Establishment of a Deferral Account to Record Impacts Pertaining to Ontario Regulation 410/22 (Electricity Infrastructure – Designated Broadband Projects)* (July 7, 2022).

Table 24 - Annual Breakdown of the Designated Broadband Project Impacts

Deferral Account Balance ($M)

Particulars	Item	Balance as at December 31, 2022	Balance as at December 31, 2023	Balance as at December 31, 2024	Balance as at December 31, 2025
Incremental OM&A	Item 1	3.1	9.1	11.0	16.9
Incremental removal costs	Item 2	0.5	1.8	6.8	24.2
Revenue requirement of in-serviced assets	Item 3	(0.1)	1.3	3.0	11.3
Ministry of Energy and Mines subsidies	Item 4	-	-	(5.5)	(6.2)
Incremental pole tops revenue and costs	Item 5	-	(0.2)	(0.8)	(1.8)
Common project costs to be allocated to projects	Item 6		25.1	31.1	27.4
Total (ties to DVA continuity)	**A**	**3.5**	**37.1**	**45.6**	**71.8**
Less OMA Cost to be Allocated to projects [30]	B		25.1	31.1	27.4
Total principal balance requested for disposition	**A-B**				**44.4** [31]

The following is a description of the various components that make up the deferral account balance:

Item 1:

Incremental OM&A include both one-time project costs (e.g. consulting firm to assist with Broadband operationalization and processes) and ongoing expenses associated with enabling Broadband, such as technology support and administrative resources.

[30] This component is presented in the "Regulatory Accounts Not Seeking Disposition – Group 2" section in the DVA continuity.
[31] This amount is not inclusive of accrued carrying charges.

Item 2:

Incremental removal costs are incurred with physically removing the replaced component prior to retirement of a fixed asset (i.e – pole). Hydro One Distribution confirms that these removal costs are not recorded in the Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account.

Item 3:

The revenue requirement associated with the in-servicing of assets constructed by Hydro One Distribution to support the Broadband initiative is recorded in the deferral account. These capital additions primarily relate to pole replacements required to accommodate third-party attachments and execute the Broadband program. The account captures the incremental revenue requirement impacts associated with these assets, including return on rate base, depreciation, and applicable taxes.

Item 4:

In October 2024, Hydro One entered into an agreement with the Ministry of Infrastructure (later transitioned to the Ministry of Energy and Mines) under which the Province subsidizes broadband enablement costs, with Hydro One acting as program administrator. The Ministry funds 100% of the Internet Service Providers (ISPs) share (50%) of Broadband Program Enablement Costs (BPEC), with Hydro One invoicing the Ministry monthly and adjusting for ineligible or cancelled projects. BPEC includes OM&A associated with broadband projects.

Item 5:

Incremental pole tops revenues and costs represent the difference between the baselines for revenues and costs versus the actual revenues and costs.

Item 6:

There are common project costs such as project management, supply chain, and planning incurred for Broadband projects. These costs are tracked in the deferral account and are allocated monthly to projects. These allocations support appropriate cost sharing with

applicants and are capitalized to the underlying projects, which are eventually in-serviced and become a component of the revenue requirement calculation. These costs are not included in the deferral account as they have not been fully allocated out to projects, resulting in the need for a modified account, as described in Exhibit G-01-03, section 7.2.

5.18 GROUP 2 – INCREMENTAL CLOUD COMPUTING IMPLEMENTATION COSTS (ACCOUNT 1511)

Please refer to section 3.9 above – Incremental Cloud Computing Implementation Costs (Account 1511) above for a description of the methodology for identifying eligible cloud computing projects. Table 8 – Eligible Cloud Computing Projects contains detailed description and financials for eligible Hydro One Distribution projects.

As at December 31, 2025, there is a debit balance of $13.1M in the deferral account, inclusive of accrued interest above the principal amount shown in Table 3. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance submitted for approval is interest forecast through to the proposed effective date. This will result in a forecast debit balance of $13.7M as at December 31, 2027.

As per the Chapter 2 Filing Requirements, Hydro One Distribution is proposing to dispose of the requested balance over a period of five years consistent with the overall request for DVA dispositions. This alignment will result in regulatory efficiency and reduced impacts on customer rates. The contract terms' duration is also short-term in nature which aligns with a proposed disposition period of five years.

Hydro One Distribution is unable to reasonably forecast entries to the cloud computing deferral account up to the effective date of new rates. Incremental cost eligibility is determined on a project-specific basis and depends on factors that are not known with certainty at this time, including the timing and scope of individual cloud initiatives, vendor decisions, and changes in operational requirements.

5.19 GROUP 2 – OPEB ASYMMETRICAL CARRYING CHARGE ACCOUNT (ACCOUNT 1522)

The OPEB asymmetrical carrying charge account has been approved for both Hydro One Transmission and Hydro One Distribution. Hydro One Distribution calculated the reference amount using the modified approach accepted by the OEB in EB-2021-0110. As at December 31, 2025, the balance in this account is a credit of $22.2M. This balance, which represents the interest attracted on the Pension and OPEB Forecast Accrual Versus Actual Cash Payment Differential Variance Account, is being proposed for disposition. The balance in this account is reported to the OEB on an annual basis, consistent with the OEB's Reporting and Record Keeping Requirements.

5.20 GROUP 2 – PENSION COST DIFFERENTIAL VARIANCE ACCOUNT (ACCOUNT 2405)

The Pension Cost Differential variance accounts have been approved for both Hydro One Transmission and Hydro One Distribution. For Hydro One Distribution, this account was approved for creation in the OEB’s decision for 2010 and 2011 distribution rates (EB-2009-0096). In the OEB’s decision for 2023-2027 distribution rates (EB-2021-0110), the OEB approved continuance of this account. This account tracks the difference between the OM&A portion of pension cost estimates based on actuarial assessments used in the approved revenue requirement and the actual OM&A portion of pension contributions. The balance in the account reflects these differences. Actual pension costs are included in total OM&A costs (reflecting the OM&A portion) and property, plant, and equipment balances (reflecting the capitalized portion) in the audited financial statements.

Table 25 below provides a summary of the differences between OEB-approved OM&A portion of pension cost estimates and the actuals from 2021 to 2025.

Table 25 - Distribution OM&A Portion of Pension Costs Variances ($M)

Particulars	2021	2022	2023	2024	2025
Forecast OM&A portion of pension cost estimates (OEB-approved)[32]	17.8	18.4	19.6	20.4	21.1
Actual OM&A portion of pension contributions	16.8	20.1	16.1	15.8	13.2
Variance (ties to principal activity in DVA continuity)	(1.0)	1.7	(3.4)	(4.6)	(7.9)

As at December 31, 2025, there is a credit balance of $16.6M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $17.3M as at December 31, 2027.

5.21 GROUP 2 – POLE ATTACHMENT REVENUE VARIANCE ACCOUNT (ACCOUNT 1508)

The pole attachment revenue variance account was permitted by the OEB to be re-opened effective January 1, 2021, allowing distributors to record any revenue impact associated with the difference between the OEB-approved charge in effect in any given period and the charge embedded in their underlying rate structure.[33]

The OEB-approved pole rate was $44.50 in 2021. The rate was updated to $34.76 in 2022. The following is a calculation of the 2021 and 2022 revenue impacts:

[32] Approved amounts for 2021, 2022, 2024, and 2025 are based on escalation factors built upon base years and subsequent years in their respective rebasing rate applications.
[33] OEB letter dated December 16, 2021 - Accounting Guidance for Wireline Pole Attachment Charges

Table 26 - Breakdown of Pole Attachment Calculations ($M)

Actuals	2021	2022	Total
Reciprocal Telecom	1.2	1.2	2.4
Non-Reciprocal Telecom	11.5	9.0	20.6
Bell MEU	0.7	0.7	1.5
Generator Telecom	0.2	0.1	0.3
Total Telecom	**13.7**	**11.1**	**24.8**
OEB-approved	**2021**	**2022**	**Total**
Reciprocal Telecom	1.2	1.2	2.5
Non-Reciprocal Telecom	11.7	11.9	23.5
Bell MEU	0.7	0.7	1.5
Generator Telecom	0.2	0.2	0.3
Total Telecom	**13.8**	**14.0**	**27.8**
Variance	**0.1**	**2.9**	**3.0**

As at December 31, 2025, there is a debit balance of $3.4M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $3.6M as at December 31, 2027.

5.22 GROUP 2 – ADVANCED METERING INFRASTRUCTURE (AMI) 2.0 VARIANCE ACCOUNT (ACCOUNT 2405)

In EB-2021-0110, the OEB approved the establishment of a new asymmetrical variance account to record the difference in revenue requirement impact including tax, if any, between the planned in-service additions included in the forecasted costs ($581M[34]) of the AMI 2.0 program over the 2023-2027 period and the actual in-service additions achieved as part of the AMI 2.0 program over the 2023-2027 period. The account captures

[34] EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, Hydro One Networks Inc., Appendix A, November 29, 2022, p. 32

the revenue requirement impact of both costs and timing difference of the in-service additions over the 2023-2027 period.

Table 27 below provides a summary of the differences between OEB-approved in-service additions of the AMI 2.0 program and actual in-service additions from 2023 to 2025.

Table 27 - AMI 2.0 Variances ($M)

AMI 2.0 Variance Account	2023	2024	2025	Total
OEB-approved ISA	32.5	69.5	158.4	260.4
Actual ISA	-	-	146.6	146.6
(Under)/Over OEB-approved ISA	(32.5)	(69.5)	(11.8)	(113.8)
Total Revenue Requirement	(0.6)	(6.4)	(21.2)	(28.2)

The underspend is due to a delay in the project's commencement, primarily related to preparatory activities that were required before meter deployment could start. These include longer than expected timelines for commercial negotiations, appropriate project planning, and more complex than expected Information Technology (IT) implementations. See Exhibit DSP D-SR-12 for more information on the AMI 2.0 program.

As at December 31, 2025, there is a credit balance of $28.6M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $30.1M as at December 31, 2027.

5.23 GROUP 2 – DISTRIBUTION SALE OF PROPERTIES DEFERRAL ACCOUNT (ACCOUNT 2405)

The Sale of Properties Deferral Account was established for both Hydro One Transmission and Distribution as part of the 2023-2027 Custom IR proceeding. For Hydro One Distribution, the account contains two sub-accounts:

- A Revenue Requirement Impacts sub-account to record the revenue requirement impact, including taxes, associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio, which are being recovered in rates but no longer owned by Hydro One during all or part of the 2023-2027 Custom IR term.
- A Gain/Loss on Sale sub-account to record the after-tax gains or losses from the sale of land and buildings in the General Plant Facilities and Real Estate portfolio recovered in rates, during the 2023-2027 Custom IR term.

Table 28 provides a summary of the sale of properties and the associated entries into the account for the 2023-2025 period. There was only one transaction, which occurred in 2024.

Table 28 - Hydro One Distribution Sale of Property Account Entries ($M)

	Property Sale	Revenue Requirement	After Tax Gain/Loss	Account Entry
		A	B	C = A+ B
2024	St. Thomas Partial Land	0.0	0.7	0.7
Total		0.0	0.7	0.7

Hydro One performed a review of its land and buildings in the General Plant Facilities and Real Estate portfolio and identified no properties that are no longer used or useful and will be sold in 2026 and 2027.

As at December 31, 2025, there is a $0.7M credit balance in this deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $0.7M as at December 31, 2027.

5.24 GROUP 2 – CLEAN ENERGY TAX CREDIT DEFERRAL ACCOUNT (ACCOUNT 2405)

The Clean Energy Tax Credit Deferral Accounts have been approved for both Hydro One Transmission and Hydro One Distribution. In EB-2021-0110, the OEB approved the establishment of a deferral account to record the revenue requirement impacts of eligible new tax credits associated with investments in net-zero technologies, battery storage solutions and clean hydrogen that may be established by the Government of Canada.[35]

As at December 31, 2025, this deferral account has a credit balance of $0.1M. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

5.25 GROUP 2 – ESM DEFERRAL ACCOUNT (ACCOUNT 2435)

The ESM deferral accounts have been approved for both Hydro One Transmission and Hydro One Distribution. For Hydro One Distribution, in its EB-2017-0049 Decision, the OEB approved establishment of a new ESM deferral account to record 50% of earnings that exceed the approved regulatory ROE by more than 100 basis points in any year of the custom IR term. The calculation of the actual ROE uses the OEB-approved mid-year rate base for that period. The ROE calculation is normalized for revenue impacting items such as entries recorded in the year which relate to prior years to normalize the in-year net income. The customers' share of the excess earnings are grossed-up for the associated tax impact. In EB-2021-0110, the OEB approved continuance of this account.

Pursuant to the directions in EB-2021-0110, Hydro One was directed to dispose of the ESM deferral account balances for 2021-2024 in the 2026 Distribution Annual Update. Hydro One Distribution last disposed of the ESM balance as at December 31, 2024, on a final basis, in the 2026 Annual Update application (EB-2025-0030).

Table 29 provides a summary of the calculation for the 2025 ESM:

[35] As contemplated in the 2022 Federal Budget issued on April 7, 2022

Table 29 - ESM Calculation ($M)

Particulars	Calculation	2025
Mid-Year Rate base (OEB-approved) - Note 1		10,572.51
Adjustments to Rate Base - Note 2		(41.18)
Adjusted Rate Base	A	10,531.33
Capital Structure:		
Long-term debt	B	56%
Short-term debt	C	4%
Common equity	D	40%
Allowed Return:		
Long-term debt	E	4.22%
Short-term debt	F	4.79%
Allowed ROE	G	9.36%
Regulated Net Income (actual)	H	520.51
Achieved ROE	I = H / (A x D)	12.36%
Allowed ROE	J	9.36%
Over/(under) earning (%)	K = I - J	3.00%
OEB allowed earnings threshold	L	1%
Over/(under) earning to allowed threshold (%)	M = K - L	2.00%
Excess Earnings Pool	N = A x D x M	84.09
Sharing with ratepayers	O	50%
Sharing with ratepayers	P = N x O	42.05
Tax Grossed-Up Amount	Q = P / 0.735	57.21

Note 1 – Mid-Year Rate base per EB-2019-0043
Note 2 – Rate base has been adjusted to account for the corresponding net income impact, mainly related to Advanced Metering Infrastructure and Distribution externally driven work. This ensures that the calculation of the ESM accurately takes into account both elements - regulated net income and the rate base.

The achieved ROE was higher than deemed in 2025 primarily due to increased revenues associated with higher energy consumption, and the increased number of customer connections.

As at December 31, 2025, there is a credit balance of $124.0M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges

anticipated through to the proposed effective date, net of approved dispositions during 2026. This will result in a forecast credit balance of $60.9M as at December 31, 2027.

5.26 GROUP 2 – TAX RATE CHANGES VARIANCE ACCOUNT (ACCOUNT 1592)

The tax rate changes variance accounts have been approved for both Hydro One Transmission and Hydro One Distribution. For Hydro One Distribution, this variance account was approved for creation in Hydro One Distribution's 2006 distribution rates proceeding (RP-2005-0020/EB-2005-0378). In the OEB's decision for 2023-2027 distribution rates (EB-2021-0110), the OEB approved continuance of this account. The variance account captures the tax impact due to:

- differences that result from a legislative or regulatory change to the tax rates or rules; and
- differences that result from a change in, or a disclosure of, a new assessment or administrative policy that is published in the public tax administration or interpretation bulletins by relevant federal or provincial tax authorities.

5.26.1 SUB-ACCOUNT – CCA CHANGES (ACCOUNT 1592)

The sub-account for CCA changes described in Section 3.11.1 above exists for Hydro One Distribution. As per the EB-2021-0110 settlement, the audited 2020 balance was adjusted to reflect the calculation of the Accelerated CCA sub-account based on actual additions[36] resulting in a credit balance of $47.1M, which was the sum of 2018 to 2020 amounts. Table 30 depicts the Accelerated CCA impacts calculated based on actual additions approved for disposition in the 2023-2027 Custom IR application.

[36] EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, Hydro One Networks Inc., Appendix A, November 29, 2022, p. 47 of 117

Table 30 - 2018-2020 Approved Amounts in Account 1592 – CCA Changes ($M)

Year	Based on Actual Additions
2018	-3.7
2019	-24.3
2020	-19.1
Total	-47.1

In this Application, 2021 and 2022 amounts for Accelerated CCA of a total credit principal amount of $27.7M are requested for disposition as shown in Table 31.

Table 31 - 2021-2022 Amounts in Account 1592 – CCA Changes ($M)

Year	Based on Actual Additions
2021	-8.8
2022	-18.9
Total	-27.7

The accelerated CCA calculations are provided in Exhibit G-01-01, Attachment 2.

As at December 31, 2025, Hydro One Distribution has a credit balance of $32.8M, inclusive of accrued interest, in the Tax Rate Changes Variance Account, which includes the CCA Changes sub-account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. The majority of this balance pertains to the full revenue impact of tax benefits related to accelerated depreciation rules that came into effect once the 2019 federal and Ontario budgets were enacted in the second quarter of 2019. Included in the balance is interest forecast through to December 31, 2027. This will result in a forecast credit balance of $34.2M as at December 31, 2027.

6.0 DISTRIBUTION ACCOUNTS NOT SOUGHT FOR DISPOSITION

6.1 GROUP 1 - DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES – 2023 - 2026 (ACCOUNT 1595)

As per section 2.9.1.3 of the Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires). Therefore, these rate riders are not eligible for disposition.

6.2 GROUP 2 – LOCAL INITIATIVES PROGRAM (LIP) DEFERRAL ACCOUNT (ACCOUNT 1508)

On May 28, 2021, the OEB established a LIP deferral account to enable distributors to track LIP partnership costs and seek recovery of these costs through distribution rates. The deferral account should only be used by distributors that partner with the IESO for the LIP.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.3 GROUP 2 – CAPACITY ALLOCATION MODEL (CAM) RELATED DEFERRAL AND VARIANCE ACCOUNTS (ACCOUNT 1508)

On December 23, 2025, the OEB established generic DVAs for electricity distributors to track the capital costs, customer capital contributions and financing charges related to the Capacity Allocation Model (CAM). The CAM introduces a structured framework for allocation of capacity and associated costs for system expansion in qualifying development areas. It is designed to address the challenges posed by large, multi-developer residential developments that require coordinated and forward-looking planning. The generic DVAs established in the EB-2024-0092 Rate Order allow rate-regulated electricity distributors to record the revenue requirement impacts associated with capital

assets constructed under the CAM, as well as capital contributions and financing charges collected from customers over the CAM term.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.4 GROUP 2 – DISTRIBUTION SYSTEM ENERGY STORAGE – GRID SCALE THIRD PARTY ACCOUNTING TREATMENT VARIANCE ACCOUNT (ACCOUNT 2405)

The Distribution System Energy Storage – Grid Scale Third Party Accounting Treatment Variance Account was established in the EB-2021-0110 proceeding. The account records the difference in the revenue requirement impact between Hydro One's current accounting treatment of the forecast costs in D-SS-04 for a grid scale energy storage project, and any alternative accounting treatment informed by any future OEB guidance pertaining to cost recovery for innovative solutions, if Hydro One enters into an arrangement with a third-party to provide reliability services.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.5 GROUP 2 – DISTRIBUTION SYSTEM ENERGY STORAGE – RESIDENTIAL DEFERRAL ACCOUNT (ACCOUNT 2405)

The Distribution System Energy Storage – Residential Deferral Account was established in the EB-2021-0110 proceeding. In this account, Hydro One may procure the services of a third-party aggregator in respect of its residential battery storage units associated with the residential energy storage investments in D-SS-04. To the extent these third-party units are used to participate in IESO markets and if such participation generates net revenues to the benefit of Hydro One, Hydro One will record the net revenue in the Residential Deferral Account, if any.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.6 GROUP 2 – PENSION AND OPEB FORECAST ACCRUAL VERSUS ACTUAL CASH PAYMENT DIFFERENTIAL VARIANCE (TRACKING ACCOUNT) – ACCOUNT 1522

The Pension and OPEB Forecast Accrual Versus Actual Cash Payment Differential variance (tracking) account was established on a generic basis in the OEB's Report on the Regulatory Treatment of Pension and OPEB Costs (Pension Report, EB-2015-0040) and is thereby authorized for use, separately, by both Hydro One Transmission and Hydro One Distribution. The OEB's Pension Report established the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost of service or custom incentive rate-setting applications. This variance account tracks the difference between the forecasted accrual amount in rates and actual cash payment(s) made, with an asymmetric carrying charge in favour of customers applied to the differential. The effective date on this variance account is January 1, 2018.

The balance being tracked in this account is based on Hydro One's modified methodology for calculating the OPEB asymmetrical carrying charge account which was approved by in EB-2021-0110, as described in section 3.10 of this Exhibit.

As at December 31, 2025, the tracking account for Hydro One Distribution has a credit balance of $197.4M. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Hydro One Distribution is not requesting disposition of the balance in this account, as this is a tracking account meant to provide visibility on the difference between the forecasted accrual amount in rates and actual cash payments made.

6.7 GROUP 2 – DISTRIBUTION GENERATION – PROVINCIAL – OTHER COSTS – DEFERRAL ACCOUNT (ACCOUNT 1533)

Hydro One Distribution established the Distribution Generation – Provincial – Deferral Account, consisting of separate Distribution Generation - Express Feeders, and Distribution Generation – Other Costs sub-accounts to record the interim funding received in respect of the expenditures made for these programs related to the provincially-funded portion of the investments.

In 2022, Hydro One Distribution filed an application to collect RGCRP compensation amounts monthly from 2024 to 2027 (EB-2023-0291). In its May 7, 2024 Decision and Order, the OEB approved the settlement proposal as filed, thereby approving the requested compensation amounts. Based on the OEB's directions in EB-2023-0291, Hydro One is expected to file evidence to support the OEB's review for prudence of the actual incurred cost of the in-service assets (for the Peterborough Rate Zone and Hydro One Distribution) at the time of its rebasing application.[37] A comparison of actual and forecast ISAs in 2024 and 2025 is provided below:

Table 32 - Hydro One Distribution – Actual to Forecast ISAs ($M)

Hydro One Distribution	2024	2025
Actual ISA [1]	0	0
Forecast ISA [2]	2.6	1.5

[1]: DSP Section 3.4, Attachment 7, "B-03-01_03.04-07 - HONI Dx (RGCRP Model) – Tab 1" Excel
[2]: EB-2023-0291, RGCRP I-01-01-02 – Updated Hydro One Dx RGCRP Requirement Updated Model – Tab 1, 20240222

[37] EB-2023-0291, Decision and Order, May 7, 2024, p. 6

Table 33 - Peterborough RZ's Actual to Forecast ISAs ($M)

Peterborough	2024	2025
Actual ISA [1]	0	0
Forecast ISA [2]	0	0

[1]: DSP Section 3.4, Attachment 7, "B-03-01_03.04-07 - Peterborough RZ (RGCRP Model) – Tab 1" Excel
[2]: EB-2023-0291, RGCRP I-01-01-08 – Updated Peterborough RZ RGCRP Requirement Updated Model – Tab 1, 20240222

As of December 31, 2025, the deferral account has a balance of -$0.1M. This amount requested for disposition is net of current funding, where actual revenue requirement aligned with the funding received through RGCRP since inception. In Table 34 for Hydro One Distribution, there is a credit balance of $0.1M in Account 1533 at the end of 2025, indicating that revenue requirement closely matched the funding since inception. Similarly, in Table 35 for Peterborough RZ, there is a small credit balance of $2K in Account 1533 at the end of 2025, also indicating that revenue requirement closely matched the funding since inception.

Table 34 - Hydro One Distribution – Actual Revenue Requirement to RGCRP Funding Received ($M)

Hydro One Distribution	2024	2025
Actual revenue requirement [1]	6.9	6.7
RGCRP Funding Received [2]	7.0	7.0

[1]: DSP Section 3.4, Attachment 7, "B-03-01_03.04-07 - HONI Dx (RGCRP Model) – Tab 4" Excel
[2]: EB-2023-0291, RGCRP I-01-01-02 – Updated Hydro One Dx RGCRP Requirement Updated Model – Tab 4, 20240222

Table 35 - Peterborough RZ's Actual Revenue Requirement to RGCRP Funding Received

Peterborough	2024	2025
Actual revenue requirement [1]	$13K	$13K
RGCRP Funding [2]	$15K	$14K

[1]: DSP Section 3.4, Attachment 7, "B-03-01_03.04-07 - Peterborough RZ (RGCRP Model) – Tab 4" Excel
[2]: EB-2023-0291, Decision and Order, May 7, 2024

This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Hydro One Distribution continues to record

the costs eligible for the treatment in accordance with Ontario Regulation 330/09. Please see DSP Section 3.4, Attachment 7 for the Renewable Generation Connection Rate Protection funding request for the 2028 to 2032 rate term.

6.8 GROUP 2 – DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT (ACCOUNT 2405)

Asset removal costs asymmetrical cumulative variance accounts have been approved for both Hydro One Transmission and Hydro One Distribution. In the EB-2021-0110 decision, the OEB approved the establishment of a new asymmetrical cumulative variance account to record differences between the revenue requirement associated with asset removal cost forecasts that have been included in the proposed depreciation expenses for 2023-2027 and actual asset removal costs incurred in each of the test years, including tax impacts. The balance in the account reflects these differences. Actual asset removal costs are included in total depreciation, amortization, and asset removal costs in the audited financial statements.

As at December 31, 2025, there is a $0 balance in this variance account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.9 GROUP 2 – ELECTRICITY DEMAND-SIDE MANAGEMENT (EDSM) VARIANCE ACCOUNT (ACCOUNT 1508)

The Electricity Demand-Side Management (eDSM) Variance Account was established by the OEB following its consultation on the regulatory treatment of local electricity demand-side management programs (EB-2025-0156). The account records the variance between actual and forecasted eDSM-related costs and funding amounts eligible for recovery through distribution rates, thereby facilitating the implementation of local eDSM initiatives that provide both local distribution system and broader system-wide benefits.

As at December 31, 2025, there is a $0 balance in this variance account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.10 GROUP 2 – DISTRIBUTION CONNECTION COST AGREEMENT (CCA) VARIANCE ACCOUNT (ACCOUNT 1508)

Similar to the Transmission CCRA True-Up Variance Account, the OEB approved the establishment of the Distribution Variance Account in EB-2021-0110 to track the impacts on the Distribution revenue requirement of capital contribution true-ups paid by Hydro One Distribution to Hydro One Transmission and the capital contributions collected by Hydro One Distribution from its embedded distributors and large customers.

As at December 31, 2025, there is a $0 balance in this variance account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

6.11 GROUP 2 – ELECTRIC VEHICLE CHARGING (EVC) RATE IMPLEMENTATION COSTS DEFERRAL ACCOUNT (ACCOUNT 1508)

On March 31, 2025, the OEB released its final report and accompanying letter on the design of the EVC Rate. [38, 39] The letter stated that the OEB would establish a deferral account to allow electricity distributors to track the revenue requirement impacts of their incremental and material costs of implementing the EVC Rate. On April 30, 2025, the OEB issued a generic accounting order to establish the EVC Rate Implementation Costs deferral account.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

[38] EB-2023-0071 – Electric Vehicle Integration, March 31, 2025
[39] OEB Letter dated March 31, 2025

7.0 CHAPLEAU ACCOUNTS SOUGHT FOR DISPOSITION

On April 18, 2024, the OEB approved the sale of Chapleau Public Utilities Corporation's (CPUC) distribution system assets to Hydro One (EB-2023-0328). The transaction closed on August 1, 2024 and, as part of the acquisition agreement, the distribution customers of Chapleau were moved to corresponding Hydro One rate classes.[40] Hydro One is requesting disposition of Chapleau's accounts in this Application.

Hydro One has presented audited 2025 balances for disposition in the DVA continuity schedule, but outlines the methodology used to forecast account activity through to the end of 2027. Hydro One intends to request closure of all legacy CPUC Group 2 accounts effective January 1, 2028, to align with the implementation date for new rates in this Application.

7.1 GROUP 2 – RETAIL COST VARIANCE ACCOUNTS (ACCOUNTS 1518 AND 1548)

This variance account was transferred from CPUC to Hydro One as part of integration activities. Hydro One is requesting final disposition of the remaining balance in this Application.

As at December 31, 2025, there is a credit balance of $2.3K in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $2.4K as at December 31, 2027.

[40] As confirmed in the August 2, 2024 Transaction Close and Integration Complete letter (EB-2023-0328)

7.2 GROUP 2 – SMART METER OM&A VARIANCE ACCOUNT (ACCOUNT 1555)

This variance account was transferred from CPUC to Hydro One as part of integration activities. Given its immaterial nature, the balance was written off.

7.3 GROUP 2 – ACCOUNTING CHANGES UNDER CANADIAN GAAP (CGAAP) (ACCOUNT 1576)

The Accounting Changes under CGAAP account was established to capture non-recurring impacts associated with historical accounting policy changes. The balance was brought forward for disposition in CPUC's 2019 cost of service application (EB-2018-0087) and was approved for recovery through a rate rider. The rate rider expired on May 31, 2021 and more than two years have passed since the expiration date. Therefore, Hydro One Distribution is requesting final disposition of the remaining rate rider balance in this Application.

7.4 GROUP 2 – POLE ATTACHMENT REVENUE VARIANCE ACCOUNT (ACCOUNT 1508)

This variance account was transferred from CPUC to Hydro One as part of integration activities. Given its immaterial nature, the balance was written off.

7.5 GROUP 2 – BILL IMPACT MITIGATION DEFERRAL ACCOUNT – NON-RESIDENTIAL CUSTOMERS (ACCOUNT 1508)

In the EB-2023-0328 decision, the OEB approved the establishment of a new bill impact mitigation deferral account to track mitigation costs resulting from integrating non-residential customers from Chapleau Public Utilities into Hydro One Networks' existing rate classes. [41] This pertains to customers whose bill impacts exceed 10% from the time they were integrated into Hydro One Networks' rates in January 2025 and until the conclusion of Hydro One Networks' current Custom IR term on December 31, 2027.

[41] Application for approval for CPUC to sell its distribution system assets to Hydro One Networks Inc.

As at December 31, 2025, there is a debit balance of $0.2M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $0.2M as at December 31, 2027.

7.6 GROUP 2 – CHAPLEAU HISTORICAL LAND RIGHTS DEFERRAL ACCOUNT (ACCOUNT 1508)

In the EB-2023-0328 decision, the OEB approved the establishment of a Chapleau Historical Land Rights Deferral Account to track costs incurred by Hydro One Networks to acquire any outstanding CPUC historical land rights required to operate Chapleau Public Utilities' existing distribution assets, where at the time of close of Hydro One Networks' acquisition of the Chapleau Public Utilities electricity distribution assets, such land rights could not be located or documented, may have expired, or were never obtained. Hydro One confirms there was no need to record such costs into the account.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

7.7 GROUP 2 – ACCOUNTING POLICY CHANGES ACCOUNT (ACCOUNT 1508)

In the EB-2023-0328 decision, the OEB approved the establishment of a sub-account within the existing "Accounting Policy Changes" deferral account to track the impacts of Chapleau's transition to U.S. GAAP, specifically changes to depreciation and capitalization of property, plant and equipment.

As at December 31, 2025, this deferral account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

8.0 ORILLIA AND PETERBOROUGH RATE ZONES

Hydro One is not requesting disposition of Orillia and Peterborough rate zones (RZs) Group 2 account balances in this Application. The Orillia and Peterborough RZs ten-year deferred rebasing period expires on August 31, 2030 and July 31, 2030 respectively. Hydro One intends to request disposition of the Group 2 accounts in the IRM application for 2030 rates. Thereafter, Orillia and Peterborough RZs will harmonize into Hydro One's Distribution rate structure in 2031.

ACCOUNTING ORDERS FOR UTILITY SPECIFIC ACCOUNTS SOUGHT FOR DISPOSITION

1.0 ACCOUNTING ORDERS FOR HYDRO ONE TRANSMISSION

1.1 LDC CDM AND DEMAND RESPONSE VARIANCE ACCOUNT

Filed: November 30, 2012
EB-2012-0031
Draft Rate Order
Exhibit 7.1
Page 1 of 3

Transmission Accounting Order – LDC CDM and Demand Response Variance Account

Hydro One Transmission will establish a new revenue variance account, "LDC CDM and Demand Response Variance Account". The account would track the impact of actual CDM and Demand Response results on the Load Forecast and the resulting impact on revenue requirement. The variance would be recorded in a separate sub account of 1508 – Other Regulatory Assets – sub account – CDM Variance Account.

Hydro One Transmission proposes to establish the new sub-account effective January 1, 2013 for the test years 2013 and 2014.

Hydro One Transmission proposes to record the following two elements in the CDM Variance account:

1) **CDM Variance**

In the variance account, Hydro One Transmission will track the difference between the forecast of 755 MW for 2013 and 1158 MW for 2014 and the actual CDM savings related to the OPA-funded, LDC-delivered programs. Hydro One will use the annual results reported by the OPA in September of each year for the verified results of the previous year in accordance with the CDM Guidelines issued by the Board in EB-2012-0003. Time-of-use savings will not be included in this variance account because they are currently not included in the annual province-wide CDM program results reported by the OPA. The charge determinant variance of the OPA-funded, LDC-delivered program results will be determined using the resulting impact on Ontario Demand and the ratios between the Ontario Demand and the three charge determinants (Network, Transformation Connection, Line Connection) to determine the CDM program impacts on these three charge determinants. The dollar amount of the variance recorded will be

based on the three charge determinant variances multiplied by the applicable Uniform Transmission Rates as approved by the Board effective for the 2013 and 2014 test years.

2) Demand Response Variance

In the variance account, Hydro One Transmission will track the actual Demand Response results against the forecast as set out in Exhibit A, Tab 15, Schedule 2, Attachment 1, Appendix A, Table 8 of 836 MW in 2013 and 880 MW in 2014 (net of 317 MW and 410 MW respectfully for 2013 and 2014 already included in CDM program results delivered by LDCs) in this variance account. Hydro One will use annual Demand Response results provided by the OPA each September for results of the previous year in a similar format as the province-wide CDM results delivered by the LDCs. The charge determinant variance of the demand response program results will be determined using the resulting impact on the Ontario Demand and the ratios between the Ontario Demand and the three charge determinants. The dollar amount of the variance will be based on the three charge determinant variances multiplied by the applicable Uniform Transmission Rates as approved by the Board effective for the test years.

Hydro One Transmission will record interest on any balance in the sub-account using the interest rates set by the Board. Simple interest would be calculated on the opening monthly balance of the account until the balance is fully disposed.

Attachment A

Proposed Accounting Entries

	USofA #	Account Description

LDC CDM – Demand Response Variance Account

Cr:	4066	Billed Network Revenue
Cr:	4068	Billed Line Connection Revenue
Cr:	4105	Transmission Charge Revenue
Dr:	1100	Accounts Receivable

To record preliminary recognition of Revenues.

Dr/Cr:	4066	Billed Network Revenue
Dr/Cr:	4068	Billed Line Connection Revenue
Dr/Cr:	4105	Transmission Charge Revenue
Dr/Cr	1508	Other Regulatory Assets – sub Account – LDC CDM and Demand Response Variance Account

To record the variance between Board-approved and actual LDC CDM and Demand Response.

Dr/Cr:	1508	Other Regulatory Assets – Sub account - LDC CDM and Demand Response Variance Account
Cr/Cr:	6035	Other Interest Expense

To record interest improvement on the principal balance of the LDC CDM and Demand Response Variance Account.

1.2 AFFILIATE TRANSMISSION PROJECTS (ATP) ACCOUNT – PROJECT DEVELOPMENT, PRELIMINARY ENGINEERING, AND PLANNING COSTS

APPENDIX 1

Hydro One Transmission Draft Accounting Order

Accounting Entries

1) Large Transmission Project Costs Deferral Account – Development, Preliminary Engineering and Planning Costs

USofA #	Account Description
Dr 4XXX	Transmission Expense
Cr 2205	Accounts Payable

To record the preliminary recognition of Hydro One's development, preliminary engineering and planning costs incurred for Affiliate Transmission Projects prior to the point where capitalization can occur.

USofA #	Account Description
Dr 1508	Other Regulatory Assets – Sub account "ATP Account – Development, Preliminary Engineering and Planning Costs"
Cr 4XXX	Transmission Expense

Where Hydro One incurs incremental costs due to Affiliate Transmission Projects, during the phase prior to the point where costs can be capitalized, this entry will record the costs for development, preliminary engineering and planning of the these Affiliate Transmission Projects in a deferral account for future disposition.

1.3 OPEB COST DEFERRAL ACCOUNT

ACCOUNTING ENTRIES
OPEB COST DEFERRAL ACCOUNT

The Other Post- Employment Benefit (OPEB) Cost Deferral Account will record all elements of the net periodic benefit cost other than the service cost that would have been classified as capital prior to the adoption of ASU 2017-07.

The account will capture actual costs and will be effective until the Ontario Energy Board has made a determination on the regulatory treatment of these costs at Hydro One's application for 2020-2022 transmission rates in EB-2019-0082. A Decision on the disposition of the deferral account and the calculation and treatment of interest will be made as part of Hydro One's application for 2020-2022 transmission rates in EB-2019-0082.

The account was established as Account 1508, Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account" effective January 1, 2018. Hydro One Transmission will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this account:

USofA #	**Account Description**
Dr: 1508	Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account"
Cr: 2055	Construction Work In Progress - Electric

To record the capitalized elements of the net periodic post-retirement benefit cost other than service cost.

USofA #	**Account Description**
Dr: 1508	Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account"
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the "OPEB Cost Deferral Account".

1.4 CUSTOMER CONNECTION AND COST RECOVERY AGREEMENTS (CCRA) TRUE-UP VARIANCE ACCOUNT

Filed: 2020-06-25
EB-2019-0082
DRO Reply Submission
Exhibit 3.4
Page 1 of 1

TRANSMISSION ACCOUNTING ORDER – CCRA TRUE-UP VARIANCE ACCOUNT

Hydro One proposes to create a new variance account to track the differences between components of revenue requirement and actual results related to load true-ups performed in accordance with Transmission System Code section 6.5.3.

The account will be established as Account 1508, Other Regulatory Asset, sub-account "CCRA True-up Variance Account" effective January 1, 2020. Hydro One will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA #	Account Description
CR/DR: 4110	Transmission Services Revenue
DR/CR: 1508	Other Regulatory Assets – Sub account "CCRA True-up Variance Account"

Initial entry to record the CCRA true-up variance.

CR/DR: 6035	Other Interest Expense
DR/CR: 1508	Other Regulatory Assets – Sub account "CCRA True-up Variance Account"

To record interest improvement on principal balance of CCRA True-up Variance Account.

1.5 CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT

HYDRO ONE TRANSMISSION ACCOUNTING ORDER
ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT

Hydro One Transmission proposes the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account "Capitalized Overhead Tax Variance Account" to record the revenue requirement impact associated with the net incremental tax benefits arising from additional capitalized overheads deductions for the 2016-2022 period as a result of Hydro One amending its prior tax returns or filing the future returns based on the new tax filing position (the Updated Approach). Amounts will be recorded at the earlier of (i) when the tax return of a particular year is audited by the CRA and the new filing position is accepted as filed or (ii) when the taxation year becomes statute barred.

This account will also capture variances in the revenue requirement associated with CRA reassessments with respect to net incremental tax benefits from the Updated Approach that have been incorporated in the OEB approved revenue requirement for 2023 to 2027 as described in Exhibit G-01-02, Section 4.1.

This account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Capitalized Overhead Tax Variance Account" effective January 1, 2023. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

The following outlines the proposed accounting entries for the deferral account.

USofA#	Account Description
DR. 4110	Transmission Services Revenue
CR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"

To record the benefits to be returned to rate-payers to the extent the CRA accepts the Updated Approach for the 2016 to 2022 period.

DR. 6035	Other Interest Expense
CR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"

To record interest improvement on the principal balance of the Capitalized Overhead Variance Account.

OR

USofA#	Account Description
DR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"
CR. 4110	Transmission Services Revenue

To record the benefits to be collected from rate-payers to the extent the CRA reassesses the Capital Overheads deductions currently incorporated into the proposed Transmission revenue requirements for the 2023 to 2027 period.

DR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"
CR. 6035	Other Interest Expense

To record interest improvement on the principal balance of the Capitalized Overhead Variance Account.

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1.6 EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT

HYDRO ONE TRANSMISSION ACCOUNTING ORDER
ACCOUNT 1508– OTHER REGULATORY ASSETS, SUB-ACCOUNT EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT

Hydro One Transmission proposes the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account" to record the revenue requirement impact including tax, if any, of variances between the in-service additions embedded in Hydro One's approved revenue requirement relating to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by governmental authorities, including indirectly through agencies, Crown corporations, or similar parties through regulation, policy changes or other official directives (Externally Driven Work) and the actual in-service additions arising from Externally Driven Work during the 2023-2027 rate period.[1] This account shall not include Externally Driven Work that is expected to be owned and included in the rate base of any new partnership affiliated with Hydro One Transmission, as those amounts would instead be recorded in the Affiliate Transmission Projects Account.

As a symmetrical account, the variation in the Externally Driven Work relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to ratepayers and overspend to be recovered from ratepayers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Externally Driven Transmission Projects Variance Account" effective January 1, 2023. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
DR/CR 4110	Transmission Services Revenue
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account"

Initial entry to record the revenue requirement impact of variances between Externally Driven Work in-service additions included in the forecast and actuals.

[1] The Externally Driven Work projects and amounts are referenced in the Settlement Agreement under Issue 29.

USofA #	Account Description
DR/CR 6035	Other Interest Expense
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account"

To record interest improvement on the principal balance of the Externally Driven Transmission Projects Variance Account.

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1.7 CAPITAL CONTRIBUTION RECOVERY DIFFERENTIAL ACCOUNT – BATU

Hydro One Networks Inc. Transmission

Draft Accounting Order

Account 1508 – Other Regulatory Assets, Sub-account Capital Contribution Recovery Differential Account

Hydro One shall establish the "Capital Contribution Recovery Differential Account". In the Decision and Order in EB-2018-0117 dated April 23, 2020, the Ontario Energy Board (OEB) approved, the establishment of a new deferral account, "Capital Contribution Recovery Differential Account" to capture the difference between the interest income Hydro One Networks Inc. ("Hydro One") will receive at the OEB's prescribed Construction Work in Progress (CWIP)[1] rate and Hydro One Transmission's OEB-approved Weighted Average Cost of Capital (WACC) on the unpaid capital contribution from the customer, who for this OEB-approved leave to construct project is InnPower Corporation ("InnPower").

The first deferral sub-account established is Account 1508 – Other Regulatory Assets, Sub-account BATU Contribution, which will be used to track InnPower's total capital contribution payable to Hydro One and will record the annual capital contribution payments made to Hydro One by InnPower. There will be a corresponding contra-sub-account.

The second deferral sub-account established is Account 1508 – Other Regulatory Assets, Sub-account BATU Capital Contribution Recovery Differential Account, which will record the amount related to the tax grossed-up difference between i) the required revenue requirement for the capital cost of the BATU Project that remains funded by Hydro One (i.e., capital contribution outstanding) at Hydro One's OEB-approved WACC, and ii) the interest income received from InnPower in accordance with TSC 6.3.19.

Additionally, it is noted that the OEB ordered that interest income earned by Hydro One on the unpaid capital contribution balance shall be excluded from the calculation of amounts recognized in Hydro One transmission's existing deferral account, External Station Maintenance, E&CS Revenue and Other Revenue Variance Account.

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[1] Section 6.3.19 of the TSC requires the transmitter to charge a Distributor interest on the unpaid balance at the Board's prescribed CWIP rate which is updated quarterly and published on the Board's website.

The deferral account sub-accounts will be established as follows:

1) Account 1508, Other Regulatory Assets – Sub-Account BATU Contributions
2) Account 1508, Other Regulatory Assets – Sub-Account BATU Contribution, Contra-account
3) Account 1508, Other Regulatory Assets – Sub-Account BATU Capital Contribution Recovery Differential Account

These sub-accounts will be effective on the in-service date of the BATU Project. Hydro One will record interest on the balance in the Sub-account BATU Capital Contribution Recovery Differential Account using the prescribed interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries:

USofA #	Account Description
Dr: 1508	Other Regulatory Assets, Sub account BATU Contribution
Cr: 1508	Other Regulatory Assets, Sub account BATU Contribution Contra-account

To record InnPower's total capital contribution payable to Hydro One at the BATU Project's date of in-service

Dr: 1508	Other Regulatory Assets, Sub account BATU Contribution Contra-account
Cr: 1508	Other Regulatory Assets – Sub account BATU Contribution

To record the annual capital contribution instalment payments for the BATU Project, made by InnPower to Hydro One

Dr: 1508	Other Regulatory Assets – Sub account BATU Capital Contribution Recovery Differential Account
Cr: 4110	Transmission Services Revenue

To record the difference between the interest income at the CWIP rate that Hydro One is to receive from the distributor (per the TSC) and the revenue requirement at Hydro

One's OEB-approved WACC for return on rate base on the balance of the deferred capital contribution outstanding.

Dr: 1508	Other Regulatory Assets – Sub account BATU Capital Contribution Recovery Differential Account
Cr: 4405	Interest and Dividend Income

To record interest improvement on the principal balance of the Capital Contribution Recovery Differential Account.[2]

[2] Undertaking EB-2018-0117 Exhibit JT1.10 provides full details of all accounting entries related to the deferral of the capital contribution including entries not directly impacting the Regulatory Account. Exhibit B-9-1, Attachment 1, pages 3-4 provides sample calculation using the Loan Methodology.

1.8 EXTERNAL SECONDARY LAND USE REVENUE VARIANCE ACCOUNT

In the EB-2008-0272 Decision, the OEB concluded that, as with export revenues and station maintenance and engineering and construction, ratepayers' interests are best protected by establishing a variance account to ensure that the full extent of these revenues is to the benefit of ratepayers while at the same time protecting Hydro One.[1]

1.9 EXTERNAL STATION MAINTENANCE, E&CS AND OTHER EXTERNAL REVENUE ACCOUNT

In the EB-2008-0272 Decision, the OEB concluded that, as with export revenues, ratepayers' interests are best protected by establishing a variance account to ensure that the full extent of these revenues is to the benefit of ratepayers while at the same time protecting Hydro One.[2]

[1] EB-2008-0272, Decision with Reasons, page 15
[2] EB-2008-0272, Decision with Reasons, page 14

Transmission Accounting Order – Other External Revenues Variance Account

Hydro One Transmission will establish a new variance account, "Other External Revenue Variance Account", to record the differences between forecast net other external revenues included in this application and net other external revenues actually received in the test years.

Hydro One Transmission will establish the following new sub-account effective January 1, 2013:

Other External Revenues Variance Account

Other External Revenues include two components: Inergi Royalties and Miscellaneous Revenues.

Inergi Royalties

As a result of the outsourcing agreement with Inergi LP, Hydro One Transmission receives royalty revenue to compensate it for the use of Hydro One's resources by Inergi LP in servicing other third party customers.

Miscellaneous Revenues

Miscellaneous Revenues relate to telecommunications services provided to other Ontario Hydro successor companies such as lease of fibre, special transmission planning studies, customer shortfall payments (e.g. true-ups, temporary bypass), and other miscellaneous revenue. Transfer prices charged to Hydro One Telecom and Hydro One Remote Communities and revenues from the lease of idle transmission lines are also included in Other Miscellaneous Revenue.

Hydro One Transmission will record interest on any balance in the sub-account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

Attachment A

Proposed Accounting Entries

	USofA #	Account Description

Other External Revenues Variance Account

Dr:	1105	Accounts Receivable, Merchandising, Jobbing Etc.
Cr:	4235	Miscellaneous Service Revenues

To record preliminary recognition of Other External Revenues.

Dr	4330	Cost and Expenses of Merchandising, Jobbing, etc.
Cr	2205	Accounts Payable

To record preliminary recognition of the Cost of Goods (COGS) sold in respect of Other External Revenues.

Dr/Cr:	4235	Miscellaneous Service Revenues
Dr/Cr:	2405	Other Regulatory Liabilities – Sub-account – Other External Revenues Variance Account

To record the variance between Board-approved and actual Other External Revenues.

Dr/Cr:	4330	Cost and Expenses of Merchandising. Jobbing, etc.
Dr/Cr:	2405	Other Regulatory Liabilities – Sub-account – Other External Revenues Variance Account

To record the variance between Board-approved and actual Other External Revenues - COGS.

Dr/Cr:	1508	Other Regulatory Assets – Sub account - Other External Revenues Variance Account
Dr/Cr:	6035	Other Interest Expense

1.10 RIGHTS PAYMENTS VARIANCE ACCOUNT

In the EB-2010-0002 Decision, the OEB established a rights payments variance account to track the difference between the amount provided for in the revenue requirement and the actual payments.[3]

In EB-2021-0110, the OEB approved a modification to this account:

HYDRO ONE TRANSMISSION ACCOUNTING ORDER
ACCOUNT 1508– OTHER REGULATORY ASSETS, SUB-ACCOUNT EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT

Hydro One Transmission proposes the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account" to record the revenue requirement impact including tax, if any, of variances between the in-service additions embedded in Hydro One's approved revenue requirement relating to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by governmental authorities, including indirectly through agencies, Crown corporations, or similar parties through regulation, policy changes or other official directives (Externally Driven Work) and the actual in-service additions arising from Externally Driven Work during the 2023-2027 rate period.[1] This account shall not include Externally Driven Work that is expected to be owned and included in the rate base of any new partnership affiliated with Hydro One Transmission, as those amounts would instead be recorded in the Affiliate Transmission Projects Account.

As a symmetrical account, the variation in the Externally Driven Work relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to ratepayers and overspend to be recovered from ratepayers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Externally Driven Transmission Projects Variance Account" effective January 1, 2023. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
DR/CR 4110	Transmission Services Revenue
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account"

Initial entry to record the revenue requirement impact of variances between Externally Driven Work in-service additions included in the forecast and actuals.

[1] The Externally Driven Work projects and amounts are referenced in the Settlement Agreement under Issue 29.

[3] EB-2010-0002, Decision with Reasons, December 23, 2010, page 21

1.11 PENSION COST DIFFERENTIAL VARIANCE ACCOUNT

In the EB-2006-0501 Decision, the OEB accepted the settlement proposal to establish the pension cost differential variance account.[4]

1.12 DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT

TRANSMISSION ACCOUNTING ORDER – DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT

Hydro One Transmission proposes the establishment of a new "Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account" to record the difference between the revenue requirement associated with asset removal costs forecasts that have been included in the proposed depreciation expenses for 2020-2022 and actual asset removal costs incurred in each of the test years, net of tax. The account calculation will be cumulative by the end of 2022 – the account balance will be brought forward for disposition in a future rate application in the event that there is an over collection on a cumulative basis over the 2020 to 2022 period. This account will be asymmetrical to the benefit of ratepayers - if the actual asset removal costs are lower than the forecasted asset removal costs, Hydro One Transmission will return the difference to ratepayers.

The account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Asymmetrical Cumulative Variance Account" effective January 1, 2020. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
DR 4110	Transmission Services Revenue
CR 2405	Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Asymmetrical Cumulative Variance Account"

[4] EB-2006-0501, Decision with Reasons, Appendix 3: Settlement Proposal Decision, page 6

1.13 MISALLOCATED FUTURE TAX CARRYING CHARGES

HYDRO ONE TRANSMISSION ACCOUNTING ORDER
CARRYING COST DIFFERENTIAL ACCOUNT

Hydro One Transmission proposes the establishment of a new "Carrying Cost Differential Account" to Record the monthly carrying charge on the outstanding principal balance of the misallocated Future Tax Savings over the recovery period.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Future Tax Savings" effective July 1, 2021. Hydro One Transmission will record interest on the outstanding balance of the misallocated Future Tax Savings over the recovery period using the prescribed CWIP interest rate set by the Board. Simple interest will be calculated on the opening monthly outstanding balance of the misallocated Future Tax Savings until the outstanding balance is fully disposed.

The following outlines the proposed accounting entries for this account.

USofA #	Account Description
DR. 1508	Other Regulatory Assets – Sub-Account "Future Tax Savings"
CR. 4405	Interest and Dividend Income

To record interest improvement on the remaining balance of the misallocated Future Tax Savings.

1.14 SALE OF PROPERTIES DEFERRAL ACCOUNT

HYDRO ONE TRANSMISSION ACCOUNTING ORDER
ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT SALE OF PROPERTIES DEFERRAL ACCOUNT

Hydro One Transmission proposes the establishment of a new Account 2405 – Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account". The account will include two sub-accounts:

1. A Revenue Requirement Impacts sub-account to record the revenue requirement impact, including taxes, associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio, which are being recovered in rates but no longer owned by Hydro One during all or part of the 2023-2027 Custom IR term.

2. A Gain/Loss on Sale sub-account to record the after-tax gains or losses from the sale of land and buildings in the General Plant Facilities and Real Estate portfolio recovered in rates, during the 2023-2027 Custom IR term.

This account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Sale of Properties Deferral Account" effective January 1, 2023. Hydro One Transmission will record interest on the balance in the sub-accounts using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

The following outlines the proposed accounting entries for the deferral account.

USofA#	Account Description
DR 4110	Transmission Services Revenue
CR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"

To record the revenue requirement impact associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio.

USofA#	Account Description
DR 6035	Other Interest Expense
CR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"

To record interest improvement on the principal balance of the Sale of Properties Deferral Account - Revenue Requirement Impacts.

USofA#	Account Description
DR/CR 4355	Gain on Disposition of Utility and Other Property
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Gain/Loss on Sale"

To record the after-tax gains or losses from the sale of existing land and buildings in the General Plant Facilities and Real Estate portfolio.

USofA#	Account Description
DR/CR 6035	Other Interest Expense
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Gain/Loss on Sale"

To record interest improvement on the principal balance of the Sale of Properties Deferral Account – Gain/Loss on Sale.

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1.15 ESM DEFERRAL ACCOUNT

TRANSMISSION ACCOUNTING ORDER – ESM DEFERRAL ACCOUNT

Hydro One proposes the establishment of a new "Earnings Sharing Mechanism ("ESM") Deferral Account" to record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points in any year of the three-year term through Hydro One's transmission revenue. The calculation of the actual ROE shall use the OEB-approved mid-year rate base for that period to avoid double counting with amounts proposed in the Capital In-Service Additions Variance Account. The ROE calculation shall be normalized for revenue impacting items such as entries that are recorded in the year which relate to prior years to normalize the in-year net income. The customer share of earnings will be adjusted for any tax impacts. The balance in the account will be reviewed for disposition in Hydro One's next rebasing application scheduled for the 2023 revenue requirement.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2020. Hydro One will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA #	Account Description
DR: 4395	Rate-Payer Benefit Including Interest
CR: 2435	Accrued Rate-Payer Benefit

Initial entry to record the over-earnings realized in any year of the three-year term.

1	DR: 4395	Rate-Payer Benefit Including Interest
2	CR: 2435	Accrued Rate-Payer Benefit
3		
4	To record interest improvement on principal balance of ESM deferral account.	

2.0 ACCOUNTING ORDERS FOR HOSSM

2.1 PROPERTY TAX AND USE AND OCCUPATION PERMIT FEE VARIANCE ACCOUNT

The Property Tax and Use and Occupation Permit Fees Variance account has been in existence for many years. It was already in existence and continued in EB-2010-0291 and EB-2012-0300. The account records the difference between forecast amounts included in rates and the actual property taxes and use and occupation permit fees incurred by HOSSM

2.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) GAINS AND LOSSES (ACCOUNT 1508)

For the purpose of obtaining a complete settlement of all issues, all Settlement parties accepted GLPT's proposal that the Board should authorize GLPT to continue to establish and record costs in its existing accounts, as described in the evidence filed by GLPT in support of these requests[5]. This deferral account records costs in respect of gains and losses resulting from premature asset component retirements arising from the transition from CGAAP to IFRS.

[5] EB-2014-0238

2.3 ESM DEFERRAL ACCOUNT

2.2 Earnings Sharing Mechanism

The proposed earnings sharing mechanism will take effect during the last five years of the rebasing deferral period. GLPT's revenue requirement will be adjusted so that prior year excess earnings are shared with ratepayers on a 50:50 basis for all earnings that exceed 300 basis points above the return on equity approved by the Board for 2018 in GLPT's 2017-18 rates application.

Implementation of a formal amalgamation of GLPT and Hydro One is not expected to occur before mid-2023. This timing is in part due to covenant restrictions found in GLPTLP's existing debt obligations. Renegotiation of these obligations cannot occur without substantial penalties. Until amalgamation occurs, GLPT will operate as a stand-alone entity and segmented reporting and audited financial statements will be available. GLPT's audited financial statements will be used to calculate any earning sharing amounts if amalgamation has not occurred during the rebasing deferral period. If the achieved regulatory ROE (excluding one-time extraordinary, unusual items and any OEB-approved adjustments) is 300 basis points above the deemed regulatory ROE, GLPT will share the overearnings on a 50:50 basis. Any shared amount will be treated as a reduction in a subsequent year revenue requirement calculation.

If amalgamation proceeds during the rebasing deferral period, separate audited financial statements for GLPT will not be available. The production of separate financial statements for the former GLPT entity may not be practicable and would reduce synergies arising from integrating the operations of GLPT with Hydro One's. It is nonetheless HOI's intention to share any potential overearnings on a 50:50 basis in a fair and practical manner. In the absence of audited financial statements, GLPT's last available audited financial statement will serve as a proxy for the achieved ROE amount (excluding one-time extraordinary, unusual items and any OEB-approved adjustments) for purposes of calculating shared earnings. If the achieved ROE amount is greater than 300 basis points over the Board-approved ROE, the overearnings will be shared, and the shared amount will be held constant and treated as an annual credit to each subsequent revenue requirement amount in the remaining rebasing deferral period. As above, any shared amount will be treated as a reduction in a subsequent year revenue requirement calculation.

Hydro One believes that this ESM is in line with the Board's Handbook in that it achieves the objective of protecting customer interests during the deferred rebasing period and in this situation, where audited statements will be available, allows an ESM calculation based on those financial statements.

3.0 ACCOUNTING ORDERS FOR DISTRIBUTION

3.1 LONG TERM LOAD TRANSFER (LTLT) RATE IMPACT MITIGATION DEFERRAL ACCOUNT

Hydro One Networks Inc. Accounting Order
EB-2016-0167

Account 1508 Other Regulatory Assets – Sub-account LTLT Rate Impact Mitigation Deferral Account

Hydro One Networks Inc. shall establish this new deferral account effective August 18, 2016 to record costs associated with lost revenue resulting from the rate impact mitigation plan associated with the transfer of long term load transfer customers and any costs involved in the set-up of such a plan, as per the OEB's direction set out in its decision for EB-2016-0167.

The disposition of the deferral account will be subject to an OEB determination of prudence.

The accounting entries to be recorded are as follows:

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account "LTLT Rate Impact Mitigation Deferral
Cr: 1100	Customer Accounts Receivable

To record the lost revenue resulting from the rate impact mitigation plan.

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub account "LTLT Rate Impact Mitigation Deferral
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the "LTLT Rate Impact Mitigation Deferral Account"

3.2 OPEB COST DEFERRAL ACCOUNT

Distribution Accounting Order – OPEB Cost Deferral Account

Hydro One Distribution proposes the establishment of a new "Other Post-Employment Benefit (OPEB) Cost Deferral Account" to record all elements of the net periodic benefit cost other than the service cost that would have been classified as capital prior to the issuance of ASU 2017-07. The account will capture actual costs to be recovered in future applications.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account" effective January 1, 2018. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

	USofA #	Account Description
DR	1508	Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account"
CR	2055	Construction Work in Progress - Electric

To record the capitalized elements of the net periodic post-retirement benefit cost other than service cost.

DR	1508	Other Regulatory Assets – Sub-Account "OPEB Cost Deferral Account"
CR	6035	Other Interest Expense

To record interest improvement on principal balance of OPEB Cost Deferral Account.

3.3 EXTERNALLY DRIVEN DISTRIBUTION PROJECTS VARIANCE ACCOUNT

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT EXTERNALLY DRIVEN DISTRIBUTION PROJECTS VARIANCE ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Externally Driven Distribution Projects Variance Account" to record the revenue requirement impact, including tax, of overspending or underspending relative to Hydro One's distribution capital investment plan which underlies the proposed revenue requirement for the 2023-2027 rate period, where such overspending or underspending is for work related to 1) Joint Use and Relocations (D-SA-01), and 2) Variances in relation to Custom Demand DER (D-SA-03) updates or DER connections, but only triggered by specific IESO procurement initiatives.[1]

As a symmetrical account, the variation in externally driven investments relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to ratepayers and overspend to be recovered from ratepayers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Externally Driven Distribution Projects Variance Account" effective January 1, 2023. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
DR/CR 4080	Distribution Services Revenue
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Distribution Projects Variance Account"

Initial entry to record the revenue requirement impact of variances between externally driven distribution projects in-service additions included in the forecast and actuals.

USofA #	Account Description
DR/CR 6035	Other Interest Expense
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Distribution Projects Variance Account"

To record interest improvement on the principal balance of the Externally Driven Distribution Projects Variance Account.

3.4 SEASONAL CLASS ELIMINATION DEFERRAL ACCOUNT

**HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 1508 – OTHER REGULATORY ASSETS,
SUB-ACCOUNT SEASONAL CLASS
ELIMINATION DEFERRAL ACCOUNT**

Hydro One Distribution proposes the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account "Seasonal Class Elimination Deferral Account" to record the revenue requirement impact of the costs associated with the implementation of the seasonal class elimination.

The account will be established as Account 1508 – Other Regulatory Assets, Sub-Account "Seasonal Class Elimination Deferral Account" effective January 1, 2022. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA #	Account Description
DR 1508	Other Regulatory Assets, Sub-Account "Seasonal Class Elimination Deferral Account"
CR XXXX	Account(s) associated with incremental costs, as Applicable

Initial entry to record into the Seasonal Class Elimination Deferral Account.

USofA #	Account Description
DR 1508	Other Regulatory Assets, Sub-Account "Seasonal Class Elimination Deferral Account"
CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Seasonal Class Elimination Deferral Account.

3.5 CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account "Capitalized Overhead Tax Variance Account" to record the revenue requirement impact associated with the net incremental tax benefits arising from additional capitalized overheads deductions for the 2016-2022 period as a result of Hydro One amending its prior tax returns or filing the future returns based on the new tax filing position (the Updated Approach). Amounts will be recorded at the earlier of (i) when the tax return of a particular year is audited by the CRA and the new filing position is accepted as filed or (ii) when the taxation year becomes statute barred.

This account will also capture variances in the revenue requirement associated with CRA reassessments with respect to the capitalized overhead tax benefits that have been incorporated in the OEB approved revenue requirement for 2023 to 2027 as described in Exhibit G-01-02, Section 7.1.

This account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Capital Overhead Tax Variance Account" effective January 1, 2023. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

The following outlines the proposed accounting entries for the deferral account.

USofA#	Account Description
DR. 4080	Distribution Services Revenue
CR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"

To record the benefits to be returned to rate-payers to the extent the CRA accepts the new tax filing position from 2016 to 2022.

DR. 6035	Other Interest Expense
CR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"

To record interest improvement on the principal balance of the Capitalized Overhead Variance Account.

OR

USofA#	Account Description
DR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"
CR. 4080	Distribution Services Revenue

To record the benefits to be collected from rate-payers to the extent the CRA reassess the Capital Overheads deductions currently incorporated into the proposed Distribution revenue requirements for the 2023 to 2027 period.

DR. 1508	Other Regulatory Assets, Sub-Account "Capitalized Overhead Variance Account"
CR. 6035	Other Interest Expense

To record interest improvement on the principal balance of the Capitalized Overhead Variance Account.

3.6 PENSION COST DIFFERENTIAL VARIANCE ACCOUNT

Pension Cost Differential Account:

The Pension Cost Differential account was first approved as part of EB-2009-0096 to track the difference between the actual pension costs booked using the actuarial assessment provided by the actuary, and the estimated pension costs used in the filing. The difference between the non-capital portion of pension cost estimates, based on actuarial assessments and other forecasts upon which Hydro One's distribution rate application is based, and the actual pension contributions charged to OM&A is recorded in this account.

Hydro One Distribution will record interest on any balance in the sub account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following entry is recorded to book the variance:

DR/CR 4050 Revenue Adjustment
CR/DR 1508 Other Regulatory Asset – Sub Account Pension Cost Differential

The following entry is recorded to book monthly interest:

DR/CR 6035 Other Interest Expense
DR/CR 1508 Other Regulatory Asset – Sub Account Pension Cost Differential

3.7 DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 2405 – Other Regulatory Liabilities, Sub-Account "Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account" to record the difference between the revenue requirement (including tax impact, if any) associated with asset removal costs forecasts that have been included in the proposed depreciation expenses for 2023-2027 and actual asset removal costs incurred in each of the test years. The account calculation will be cumulative by the end of 2027 – the account balance will be brought forward for disposition in a future rate application in the event that there is an over collection on a cumulative basis over the 2023 to 2027 period. This account will be asymmetrical to the benefit of ratepayers – if the actual asset removal costs are lower than the forecasted asset removal costs, Hydro One Distribution will return the difference to ratepayers.

The account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Asymmetrical Cumulative Variance Account" effective January 1, 2023. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

UsofA #	Account Description
DR. 4080	Distribution Services Revenue
CR. 2405	Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Asymmetrical Cumulative Variance Account"

Initial entry to record the difference between actual asset removal costs and forecasted asset removal costs.

UsofA #	Account Description
DR. 6035	Other Interest Expense
CR. 2405	Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Asymmetrical Cumulative Variance Account"

To record interest improvement on the principal balance of the Asset Removal Costs Asymmetrical Cumulative Variance Account.

3.8 ADVANCED METERING INFRASTRUCTURE (AMI) 2.0 VARIANCE ACCOUNT

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT ADVANCED METERING INFRASTRUCTURE (AMI) 2.0 VARIANCE ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 2405 - Other Regulatory Liabilities, Sub-Account "Advanced Metering Infrastructure (AMI) 2.0 Variance Account" to record the difference in revenue requirement impact including tax, if any, between the planned in-service additions included in the forecasted costs ($581M[1]) of the AMI 2.0 program over the 2023-2027 period and the actual in-service additions achieved as part of the AMI 2.0 program over the 2023-2027 period. The account will capture the revenue requirement impact of both costs and timing difference of the in-service additions over the 2023-2027 period. This account will be asymmetrical to the benefit of ratepayers.

The account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "AMI 2.0 Variance Account" effective January 1, 2023. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

UsofA #	Account Description
DR. 4080	Distribution Services Revenue
CR. 2405	Other Regulatory Liabilities – Sub-Account "AMI 2.0 Variance Account"

Initial entry to record the revenue requirement impact difference between the planned in-service additions for AMI 2.0 and actual in-service additions for AMI 2.0.

UsofA #	Account Description
DR. 6035	Other Interest Expense
CR. 2405	Other Regulatory Liabilities – Sub-Account "AMI 2.0 Variance Account"

To record interest improvement on the principal balance of the AMI 2.0 Variance Account.

3.9 SALE OF PROPERTIES DEFERRAL ACCOUNT

Filed: 2022-10-21
EB-2021-0110
Attachment 3
Schedule 2.6
Page 1 of 2

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT SALE OF PROPERTIES DEFERRAL ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 2405 – Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account". The account will include two sub-accounts:

1. A Revenue Requirement Impacts sub-account to record the revenue requirement impact, including taxes, associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio, which are being recovered in rates but no longer owned by Hydro One during all or part of the 2023-2027 Custom IR term.

2. A Gain/Loss on Sale sub-account to record the after-tax gains or losses from the sale of land and buildings in the General Plant Facilities and Real Estate portfolio recovered in rates, during the 2023-2027 Custom IR term.

This account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Sale of Properties Deferral Account" effective January 1, 2023. Hydro One Distribution will record interest on the balance in the sub-accounts using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

The following outlines the proposed accounting entries for the deferral account.

UsofA#	Account Description
DR 4080	Distribution Services Revenue
CR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"

To record the revenue requirement impact associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio.

UsofA#	Account Description
DR 6035	Other Interest Expense
CR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"

To record interest improvement on the principal balance of the Sale of Properties Deferral Account – Revenue Requirement Impacts.

UsofA#	Account Description
DR/CR 4355	Gain on Disposition of Utility and Other Property
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Gain/Loss on Sale"

To record the after-tax gains or losses from the sale of existing land and buildings in the General Plant Facilities and Real Estate portfolio.

UsofA#	Account Description
DR/CR 6035	Other Interest Expense
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Gain/Loss on Sale"

To record interest improvement on the principal balance of the Sale of Properties Deferral Account – Gain/Loss on Sale.

3.10 CLEAN ENERGY TAX CREDIT DEFERRAL ACCOUNT

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT CLEAN ENERGY TAX CREDIT DEFERRAL ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 2405 – Other Regulatory Liabilities, Sub-Account "Clean Energy Tax Credit Deferral Account" to record the revenue requirement impacts of eligible new tax credits associated with investments in net-zero technologies, battery storage solutions and clean hydrogen that may be established by the Government of Canada, as contemplated at p. 94 of the 2022 Federal Budget issued on April 7, 2022[1].The account balance will be brought forth for disposition in a future rate application.

This account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Clean Energy Tax Credit Deferral Account" with an effective date aligned with what would be stipulated in the 2022 Federal Budget. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

The following outlines the proposed accounting entries for the deferral account.

USofA#	Account Description
DR. 4080	Distribution Services Revenue
CR. 2405	Other Regulatory Liabilities, Sub-Account "Clean Energy Tax Credit Deferral Account"

To record the revenue requirement impacts of the tax credit benefits to be returned to ratepayers.

DR. 6035	Other Interest Expense
CR. 2405	Other Regulatory Liabilities, Sub-Account "Clean Energy Tax Credit Deferral Account"

To record interest improvement on the principal balance of the Clean Energy Tax Credit Deferral Account.

3.11 EARNINGS SHARING MECHANISM (ESM) DEFERRAL ACCOUNT

Updated: 2017-06-07
EB-2017-0049
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Tab 3
Schedule 1
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Distribution Accounting Order – ESM Deferral Account

Hydro One Distribution proposes the establishment of a new "Earnings Sharing Mechanism ("ESM") Deferral Account" to record any over-earnings realized during any year of the five-year term through Hydro One's distribution rates, as documented in Section 2.7 above.

The account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2018. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

	USofA #	Account Description
DR	4395	Rate-Payer Benefit Including Interest
CR	2435	Accrued Rate-Payer Benefit

Initial entry to record the over-earnings realized in any year of the five-year term.

DR	4395	Rate-Payer Benefit Including Interest
CR	2435	Accrued Rate-Payer Benefit

To record interest improvement on principal balance of ESM deferral account.

3.12 CAPACITY ALLOCATION DEPOSIT DEFERRAL ACCOUNT

The purpose of this account is to record any capacity allocation deposit or additional capacity allocation deposit provided by an applicant to the distributor that is subsequently forfeited by the applicant if:

- the applicant withdraws its connection application after entering into a Connection Cost Agreement; or
- the applicant's capacity allocation is removed by the distributor as a result of the applicant's breach of Section 6.2.4.1(e) of the Distribution System Code (DSC).

The account will be established as Account 1508 – Other Regulatory Assets, Sub-Account: Capacity Allocation Deposit Deferral Account, effective January 1, 2023.

In accordance with OEB direction[6], Hydro One Distribution will record interest on the balance of this sub-account at the prescribed OEB interest rate. Simple interest will be calculated monthly on the opening balance of the account until the balance is fully disposed of.

Accounting Entries

To record forfeited capacity allocation deposits:

- Dr. Existing account where the deposit was originally recorded
- Cr. Account 1508 – Other Regulatory Assets, Sub-Account "Capacity Allocation Deposit Deferral Account"

To record interest amounts owing to ratepayers:

- Dr. 6035 – Other Interest Expense
- Cr. Account 1508 – Other Regulatory Assets, Sub-Account "Capacity Allocation Deposit Deferral Account"

[6] Email inquiry (IRE-2023-0029) response from the OEB, dated March 20, 2023

4.0 ACCOUNTING ORDERS FOR DISTRIBUTION - CHAPLEAU

4.1 BILL IMPACT MITIGATION DEFERRAL ACCOUNT – NON-RESIDENTIAL CUSTOMERS

Ontario Energy Board **EB-2023-0328**
Hydro One Networks Inc.
Chapleau Public Utilities Corporation

Draft Accounting Order – 1508 – Other Regulatory Assets, Sub Account Bill Impact Mitigation Deferral Account - non-residential customers

Hydro One Networks may establish a new "Bill Impact Mitigation Deferral Account" to track mitigation costs resulting from integrating non-residential customers from Chapleau Public Utilities into Hydro One Networks' existing rate classes.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Bill Impact Mitigation Deferral Account" effective the date of Chapleau Public Utilities' customer integration until the effective date of Hydro One Networks' next cost-based Rate Order.

Hydro One Networks will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The disposition of any balances will be recovered from, or funded to all Hydro One Networks customers.

The following outlines the proposed accounting entries for this regulatory account.

USofA #	Account Description
Dr 1508	Other Regulatory Assets – Sub account "Bill Impact Mitigation Deferral Account – non-residential customers"
Cr 1100	Customer Accounts Receivable

To record the bill impact mitigation costs for former Chapleau Public Utilities' non-residential customers having been moved to appropriate Hydro One Networks rate classes at integration.

USofA #	Account Description
Dr 1508	Other Regulatory Assets – Sub account "Bill Impact Mitigation Deferral Account – non-residential customers"
Cr 6035	Other Interest Expense

To record interest improvement on the debit principal balance of the Bill Impact Mitigation Deferral Account at the OEB's published prescribed interest rate.

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HONI DX ACCELERATED CCA CALCULATIONS

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HOSSM ACCOUNTS SOUGHT FOR DISPOSITION

1.0 INTRODUCTION

The purpose of this Exhibit is to describe HOSSM regulatory accounts that are sought for disposition and are not sought for disposition. The audited regulatory account balances for HOSSM as at December 31, 2025 are presented in Exhibit G-01-07 Attachment 3.

All of the regulatory accounts reported by HOSSM have been established pursuant to the applicable accounting orders approved by the OEB, consistent with the Accounting Procedures Handbook, and any subsequent OEB direction. Hydro One has not departed from the approved accounting orders or the Uniform System of Accounts (USoA).

Aside from the Earnings Sharing Mechanism (ESM) deferral account, HOSSM's audited DVA balances were last disposed in its 2019 Transmission revenue requirement application in EB-2018-0218.[1]

Pursuant to the EB-2016-0050 decision where the OEB approved the Hydro One acquisition of Great Lakes Power Transmission (GLPT), the OEB approved an ESM that would take effect during the last five years of the rebasing deferral period (2022 to 2026). Under the approved ESM, earnings are assessed each year and HOSSM's revenue requirement is adjusted so that prior year excess earnings are shared with ratepayers on a 50:50 basis for all earnings that exceed 300 basis points above the approved return on equity. The 2024 ESM balance was approved for disposition in the 2026 revenue requirement application.[2]

Hydro One's outstanding deferral and variance account (DVA) balances for HOSSM are summarized in Table 1 below. The forecasted balances as at December 31, 2025 are calculated by taking the audited December 31, 2025 balances adjusted by any amounts approved for disposition in prior decisions, and adjusted for interest improvement up until

[1] EB-2018-0218, Decision and Rate Order, Schedule A, July 18, 2019
[2] EB-2025-0158, Decision and Order, September 18, 2025

the end of 2027. The most recent OEB-approved prescribed interest rates were used as at the time of filing to calculate the projected carrying charges on the audited December 31, 2025 balances through to December 31, 2027.

Hydro One intends to update the balances for 2026 actuals and its forecast carrying charges calculations during the course of this proceeding. The account numbering in these tables corresponds with the sections of this Exhibit in which each account is discussed.

Table 1 - Summary of HOSSM Accounts

Active Group 2 DVA	Account	Closing Principal Balance as at Dec 31, 2025	Total Interest as at Dec 31, 2027	Total Balance for Disposition as at Dec 31, 2027	Proposed for Disposition (Yes/No)
2.1 OEB Cost Assessment Variance Account	1508	(210,511)	(42,879)	(253,390)	Yes
2.2 Property Tax and Use and Occupation Permit Fee Variance	1508	664,485	99,226	763,711	Yes
2.3 International Financial Reporting Standards (IFRS) Gains and Losses	1508	630,138	-	630,138	Yes
2.4 Tax Rate Changes Variance Account	1592	(1,658,410)	(204,104)	(1,862,514)	Yes
2.5 Aggregate Regulatory Assets	1595	-	(12,870)	(12,870)	Yes
2.6 ESM Deferral Account	2435	(3,306,681)	(240,759)	(3,547,439)	Yes
3.1 Priority New Transmission Line Project (PTLPDA)-Tracking	1508	-	-	-	No
3.2 IFRS-CGAAP Transitional PP&E Amounts	1575	-	-	-	No

2.0 ACCOUNTS SOUGHT FOR DISPOSITION

2.1 OEB COST ASSESSMENT VARIANCE ACCOUNT (ACCOUNT 1508)

This variance account was approved for continuance in EB-2019-0266 and records the difference between the OEB's cost assessments embedded in rates and the actual assessments charged to HOSSM.

Table 2 below provides a summary of the differences between OEB-approved OEB cost assessments and the actuals from 2019 to 2025:

Table 2 - HOSSM's OEB Cost Assessment Variances ($M)[3]

Particulars	2019	2020	2021	2022	2023	2024	2025	Total
OEB-Approved Costs	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.75
Actual OEB Costs	0.06	0.06	0.06	0.07	0.09	0.09	0.10	0.54
Variance (ties to principal activity in DVA continuity)	0.05	0.04	0.04	0.03	0.02	0.02	0.01	0.21

As at December 31, 2025, there is a credit balance of $0.2M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance submitted for approval is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $0.3M as at December 31, 2027.

In an effort to reduce regulatory and administrative burden and streamline the number of regulatory accounts maintained by HOSSM, HOSSM proposes to include forecast balances for the OEB Cost Assessment Variance Account for 2026 and 2027 for disposition as part of this Application. Given the predictable nature of these costs, HOSSM does not expect material differences between forecast and actual balances, resulting in limited risk associated with the proposed approach.

[3] Rounded figures within tables may not add up resulting from rounding

Table 3 - HOSSM's 2026-2027 Cost Assessment Variances ($M)

Year	OEB Cost Assessments Embedded in Rates	Forecast Costs	Variance
2026	0.11	0.11	0
2027	0.11	0.11	0

2.2 PROPERTY TAX AND USE AND OCCUPATION PERMIT FEE VARIANCE (ACCOUNT 1508)

This variance account was approved for continuance in EB-2019-0266 and records the difference between forecast amounts included in rates and the actual property taxes and use and occupation permit fees incurred by HOSSM.

Table 4 provides a summary of the differences between OEB approved property taxes and use and occupation permit fees and the actuals from 2018 to 2025:

Table 4 - HOSSM's Property Tax and Use and Occupation Permit Fee Variances ($M)

Particulars	2018	2019	2020	2021	2022	2023	2024	2025	Total
Forecast property tax and use and occupation permit fees (OEB approved)	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	1.04
Actual property tax and use and occupation permit fees	0.17	0.17	0.17	0.17	0.25	0.33	0.27	0.17	1.70
Variance (ties to principal activity in DVA continuity)	0.04	0.04	0.04	0.04	0.12	0.2	0.14	0.04	0.66

As at December 31, 2025, there is a debit balance of $0.7M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast debit balance of $0.8M as at December 31, 2027.

2.3 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) GAINS AND LOSSES (ACCOUNT 1508)

This account was transferred from GLPT to HOSSM as part of integration activities. As part of the EB-2014-0238 settlement agreement approved by the OEB on November 19, 2014, the OEB authorized HOSSM to continue to maintain a deferral account to record costs in respect of gains and losses resulting from premature asset component retirements arising from the transition from CGAAP to IFRS. At the time, GLPT anticipated that the loss amounts related to planned projects would be in excess of $500,000 and $300,000 in each of 2015 and 2016, respectively.[4] HOSSM incurred a loss on disposal in both 2015 and 2016, net of proceeds from disposition, as shown in Table 5 below.

Table 5 - IFRS Gains and Losses Calculations

Account Accruals		Comprised of:					
	Date	Losses	Gains	Depreciation Credit			
(8,336.59)	Mar-15	609.41	(8,946.00)			**Losses on disposal**	
(3,417.71)	Apr-15		(3,350.00)	(67.71)		*Dec 2015*	
(67.71)	May-15			(67.71)		Gartshore poles	58,903.01
(67.71)	Jun-15			(67.71)		Office equipment	697.44
(67.71)	Jul-15			(67.71)		Hwy 101	18,862.30
(26,395.70)	Aug-15		(26,327.99)	(67.71)		Goulais TS battery	36,444.74
(3,217.71)	Sep-15		(3,150.00)	(67.71)		Hogg poles	338,248.21
(67.71)	Oct-15			(67.71)			453,155.70
(4,657.71)	Nov-15		(4,590.00)	(67.71)			
451,366.97	Dec-15	453,155.70	(1,721.00)	(67.71)			
(30,851.07)	Jan-16			(30,851.07)			
(30,851.07)	Feb-16			(30,851.07)		*Dec 2016*	
(30,851.07)	Mar-16			(30,851.07)		Magpie CTs	155,814.90
(30,901.86)	Apr-16			(30,901.86)		Hollingsworth poles	433,354.87
(30,901.86)	May-16			(30,901.86)		Transmission oil clergue	5,303.00
(35,696.44)	Jun-16		(4,794.58)	(30,901.86)		Andrews batteries	3,951.70
(30,901.86)	Jul-16			(30,901.86)		Andrews poles	7,361.26
(31,470.51)	Aug-16		(568.65)	(30,901.86)			605,785.73
(31,741.38)	Sep-16		(839.52)	(30,901.86)			
(31,118.90)	Oct-16		(217.04)	(30,901.86)			
(30,901.86)	Nov-16			(30,901.86)			
571,255.04	Dec-16	605,785.73		(34,530.69)			
630,137.87							

[4] EB-2014-0238, Settlement Proposal Corrected, December 3, 2014 – p. 31/42

As at December 31, 2025, there is a debit $0.6M balance in this deferral account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

2.4 TAX RATE CHANGES VARIANCE ACCOUNT: SUB-ACCOUNT – CCA CHANGES (ACCOUNT 1592)

The sub-account for CCA changes described in Exhibit G-01-01, section 3.11.1, is used for HOSSM. Please refer to Exhibit G-01-02, Attachment 1 for the supporting calculations recorded from 2020 to 2025.

Accelerated CCA is initially recorded based on actual asset additions; however, at each year-end, only estimated additions are available. When the yearly tax returns are finalized, these additions may be adjusted, requiring a corresponding adjustment to the accelerated CCA calculations. As these adjustments are recorded in a subsequent year, a difference arises between the amounts recorded in the general ledger and the finalized accelerated CCA calculations. Notwithstanding these timing adjustments in the years in which the tax additions are recorded, the cumulative tax variances in Account 1592 totaling a credit balance of $1,658,410 as at December 31, 2025 presented in the HOSSM DVA Continuity (see Exhibit G-01-07, Attachment 3) are consistent with the total principal additions (as calculated in Exhibit G-01-02, Attachment 1).

As at December 31, 2025, there is a credit balance of $1.8M in the variance account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date. This will result in a forecast credit balance of $1.9M as at December 31, 2027.

2.5 AGGREGATE REGULATORY ASSETS (ACCOUNT 1595)

This account was transferred from GLPT to HOSSM as part of integration activities. The balance in this account is residual interest on the previously approved 3-year payback balance which ended on December 31, 2017.[5]

As at December 31, 2025, there is a credit balance of $13K in this deferral account. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements.

2.6 EARNINGS SHARING MECHANISM (ESM) DEFERRAL ACCOUNT (ACCOUNT 2435)

In EB-2016-0050, the OEB approved an ESM[6] that would take effect during the last five years of the rebasing deferral period (2022 to 2026) where HOSSM's revenue requirement is to be adjusted so that prior year excess earnings are shared with ratepayers on a 50:50 basis for all earnings that exceed 300 basis points. HOSSM's audited financial statements are to be used to calculate any earnings sharing amounts.[7]

The calculation of the ROE uses the rate base as determined by the sum of the Average regulated fixed assets and working capital allowance, as set out in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's RRR reporting.[8] The ROE calculation is normalized for revenue impacting items such as entries recorded in the year which relate to prior years to normalize the in-year net income. There were no normalizing adjustments made with respect to the 2025 ESM calculation. The ratepayers' share of the excess earnings are grossed up for the associated tax impact.

Table 6 below provides a summary of the calculations for the 2025 ESM:

[5] EB-2018-0218, Application
[6] Decision and Order, EB-2016-0050, October 13, 2016, p. 24
[7] HOSSM's audited financial statements are to be used prior to amalgamation. See Decision and Order, EB-2016-0050, October 13, 2016, p. 12.
[8] See "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's RRR reporting, "Total Rate Base" (item L in spreadsheet).

Table 6 - HOSSM 2025 ESM Calculation ($M)

Particulars	Calculation	2025
Mid-Year Rate Base	A	$249.10
Long-term debt	B	56%
Short-term debt	C	4%
Common equity	D	40%
Allowed Return:		
Long-term debt	E	6.87%
Short-term debt	F	1.65%
Allowed ROE	G	9.19%
Regulated Net Income (actual)	H	$17.01
Achieved ROE	I = H / (A x D)	17.07%
Allowed ROE	J	9.19%
Over/(under) earning (%)	K = I - J	7.88%
OEB allowed earnings threshold	L	3%
Over/(under) earning to allowed threshold (%)	M = K - L	4.88%
Excess Earnings Pool	N = A x D x M	$4.86
Sharing with ratepayers	O	50%
Sharing with ratepayers	P = N x O	$2.43
Tax Grossed-Up Amount	Q = P / 0.735	$3.31

As at December 31, 2025, there is a credit balance of $8.2M in the deferral account, inclusive of accrued interest. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. Included in the balance is interest forecast through to December 31, 2027 to reflect carrying charges anticipated through to the proposed effective date, adjusted by the OEB-approved disposition during 2026. This will result in a forecast credit balance of $3.5M as at December 31, 2027.

3.0 HOSSM ACCOUNTS NOT SOUGHT FOR DISPOSITION

3.1 PRIORITY NEW TRANSMISSION LINE – STATION COSTS – TRACKING ACCOUNT (PTLPDA) (ACCOUNT 1508)

This tracking account was approved in the decision issued by the OEB for EB-2023-0360. The OEB approved HOSSM's request to establish the PTLPDA-Costs Account, effective December 22, 2023, as a tracking account to monitor capital expenditures for the HOSSM Station Project - New Transmission Line Component.

As at December 31, 2025, the PTLPDA tracking account has a balance of $0. This account is reported to the OEB on an annual basis consistent with the OEB's Reporting and Record Keeping Requirements. HOSSM is not requesting disposition of the balance in this account, as this is simply a tracking account meant to provide transparency and regulatory efficiency for costs incurred on projects that will eventually be transferred to a new, distinct partnership.

If the New Transmission Line Project does not proceed for reasons beyond HOSSM's control, HOSSM would seek recovery of any recorded amounts in a future rate proceeding.

3.2 IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS (ACCOUNT 1575)

This account was transferred from GLPT to HOSSM as part of integration activities. Hydro One does not have sufficient supporting documentation to substantiate the disposition of the balance and upon further review, notes that the account was not previously approved for continuance. Accordingly, the balance was written off.

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HOSSM CCA CALCULATIONS

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REGULATORY ACCOUNTS REQUESTS

1.0 INTRODUCTION

This Exhibit describes Hydro One's requests to continue, discontinue, modify and establish new regulatory accounts for its Transmission and Distribution businesses. For the new accounts proposed, the eligibility criteria regarding causation, materiality and prudence are described.

Table 1 identifies existing transmission accounts with the utility's planned action (i.e. continue, continue with modification, or discontinue). Table 2 lists the new transmission accounts proposed. The descriptions of these account requests are contained in sections 2 through 5 of this Exhibit, which are listed in the order of USoA in the Transmission DVA Continuity Schedule in Exhibit G-01-07, Attachment 1. The account numbering in these tables corresponds with the sections of this Exhibit in which each account is discussed.

Table 3 identifies existing Group 1 distribution accounts with the utility's planned action (i.e. continue, continue with modification, or discontinue). Table 4 identifies existing Group 2 distribution accounts with the utility's planned action, and Table 5 lists the new Group 2 distribution accounts proposed. The descriptions of these account requests are contained in sections 6 through 9 of this Exhibit, which are listed in the order of USoA in the Distribution DVA Continuity Schedule in Exhibit G-01-07, Attachment 2. The account numbering in these tables corresponds with the sections of this Exhibit in which each account is discussed.

1 **Table 1 - Transmission Account Requests**

Existing Group 2 Accounts	Account	Request
2.1 Affiliate Transmission Projects (ATP) Account	1508	Continue
2.2 Customer Connection and Cost Recovery Agreements (CCRA) True-Up Variance Account	1508	Continue
2.3 Capital Contribution Recovery Differential Account – Barrie Area Transmission Upgrade (BATU)	1508	Continue
2.4 Incremental Cloud Computing Implementation Costs	1511	Continue
2.5 OPEB Asymmetrical Carrying Charge Account	1522	Continue
2.6 Tax Rate Changes Variance Account	1592	Continue
2.7 External Station Maintenance, E&CS and Other External Revenue Account	2405	Continue
2.8 Rights Payments Variance Account	2405	Continue
2.9 Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance	1522	Continue
2.10 Excess Export Service Revenue Variance Account	2405	Continue
2.11 Transmitter Double Peak Billing Accounts	1512	Continue
2.12 Pension Costs Differential Variance Account	2405	Continue
2.13 Clean Energy Tax Credit Deferral Account	2405	Continue
3.1 Externally Driven Transmission Projects Variance Account	1508	Continue with Modification
3.2 External Secondary Land Use Revenue Variance Account	2405	Continue with Modification
3.3 Transmission Sale of Properties Deferral Account	2405	Continue with Modification
3.4 Long-Term Transmission Studies Deferral Account	1508	Continue with Modification
3.5 Earnings Sharing Mechanism (ESM) Deferral Account	2435	Continue with Modification
3.6 Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account	2405	Continue with Modification
4.1 Misallocated Future Tax Savings Carrying Charges	1508	Discontinue
4.2 External Revenue – Partnership Transmission Projects Deferral Account	2405	Discontinue
4.3 OPEB Cost Deferral Account	1508	Discontinue
4.4 OEB Cost Assessment Variance Account	1508	Discontinue
4.5 Capitalized Overhead Tax Variance Account	1508	Discontinue

Table 2 - New Transmission Regulatory Accounts

New Group 2 Accounts	Account	Request
5.1 Cyber Security Variance Account - Transmission	1508	New
5.2 Change of Laws Deferral Account - Transmission	1508	New
5.3 DTS Operations Variance Account	1508	New

Table 3 - Distribution Account Requests (Group 1)

Existing Group 1 Accounts	Account	Request
6.1 Low Voltage Variance Account	1550	Continue
6.2 Smart Meter Entity (SME) Charge Variance Account	1551	Continue
6.3 Retail Settlement Variance Accounts	1580/1584/1589	Continue
6.4 Account 1595 (2023) - Disposition and Recovery/Refund of Regulatory Balances	1595	Continue
6.5 Account 1595 (2024) - Disposition and Recovery/Refund of Regulatory Balances	1595	Continue
6.6 Account 1595 (2024) - Disposition and Recovery/Refund of Regulatory Balances - Chapleau	1595	Continue
6.7 Account 1595 (2025) - Disposition and Recovery/Refund of Regulatory Balances	1595	Continue
6.8 Account 1595 (2026) - Disposition and Recovery/Refund of Regulatory Balances – Chapleau	1595	Continue
6.9 Account 1595 (2026) - Disposition and Recovery/Refund of Regulatory Balances	1595	Continue
6.10 Account 1595 (2026) - Disposition and Recovery/Refund of Regulatory Balances – ESM Rate Rider	1595	Continue
8.1 Account 1595 (2021) – Disposition and Recovery/Refund of Regulatory Balances	1595	Discontinue
8.2 Account 1595 (Pre-2024) – Disposition and Recovery/Refund of Regulatory Balances - Chapleau	1595	Discontinue

1 **Table 4 - Distribution Account Requests (Group 2)**

Existing Group 2 Accounts	Account	Request
6.11 Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account	1508	Continue
6.12 Capacity Allocation Model Related Deferral and Variance Accounts	1508	Continue
6.13 Incremental Cloud Computing Implementation Costs Deferral Account - Distribution	1511	Continue
6.14 OPEB Asymmetrical Carrying Charge Account	1522	Continue
6.15 Distribution Generation – Provincial - Other Costs – Deferral Account	1533	Continue
6.16 Pension Cost Differential Variance Account	2405	Continue
6.17 Distribution Connection Cost Agreement (CCA) Variance account	1508	Continue
6.18 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential (Tracking)	1522	Continue
6.19 AMI 2.0 Variance Account (AMIVA)	2405	Continue
6.20 Clean Energy Tax Credit Deferral Account- Distribution	2405	Continue
6.21 Tax Rate Changes Variance Account	1592	Continue
6.22 Electricity Demand-Side Management (eDSM) Variance Account	1508	Continue
7.1 Distribution Externally Driven Projects Variance Account	1508	Continue with Modification
7.2 Designated Broadband Project Impacts Variance Account (Account 1508)	1508	Continue with Modification
7.3 Distribution Sale of Properties Deferral Account	2405	Continue with Modification
7.4 Earnings Sharing Mechanism (ESM) Deferral Account - Distribution	2435	Continue with Modification
8.3 OEB Cost Assessment Variance Account	1508	Discontinue
8.4 Bill Impact Mitigation Deferral Account - Chapleau	1508	Discontinue
8.5 OPEB Cost Deferral Account	1508	Discontinue
8.6 Ultra-low Overnight (ULO) Implementation Costs Deferral Account	1508	Discontinue
8.7 Seasonal Class Elimination Deferral Account	1508	Discontinue
8.8 Getting Ontario Connected Act (GOCA) Variance Account	1508	Discontinue
8.9 Capacity Allocation Deposit Funds in a sub-account of 1508 "Other"	1508	Discontinue
8.10 Green Button Initiative Costs Deferral Account	1508	Discontinue
8.11 Capitalized Overhead Tax Variance Account - Distribution	1508	Discontinue

8.12 Extended Horizons Variance Account	1508	Discontinue
8.13 Electric Vehicle Charging Rate Implementation Costs Deferral Account	1508	Discontinue
8.14 Retail Cost Variance Account – Chapleau	1518/1548	Discontinue
8.15 Distribution Generation – Provincial - Other Costs – Deferral Account (Haldimand Rate Zone)	1533	Discontinue
8.16 Smart Meter OM&A Variance Account – Chapleau	1508	Discontinue
8.17 Accounting Policy Changes under Canadian GAAP - Chapleau	1576	Discontinue
8.18 Pole Attachment Revenue Variance Account	2405	Discontinue
8.19 Pole Attachment Revenue Variance Account – Chapleau	1508	Discontinue
8.20 Distribution System Energy Storage – Residential Deferral Account	2405	Discontinue
8.21 Depreciation Expense (Assets Removal) Asymmetrical Cumulative Variance Account - Distribution	2405	Discontinue
8.22 Historical Land Rights Deferral Account - Chapleau	1508	Discontinue
8.23 Accounting Policy Changes - Chapleau	1576	Discontinue
8.24 Local Initiatives Program Costs Deferral Account	1508	Discontinue
8.25 Distribution System Energy Storage – Grid Scale Third Party Accounting Treatment Variance Account	2405	Discontinue

1 **Table 5 - New Distribution Account Requests**

New Group 2 Accounts	Account	Request
9.1 Cyber Security Variance Account (Distribution)	1508	New
9.2 Change of Laws Deferral Account (Distribution)	1508	New
9.3 DTS Operations Variance Account	1508	New
9.4 Non-wires Solution (NWS) Implementation Cost Variance Account	1508	New

2.0 REQUESTS FOR CONTINUANCE OF TRANSMISSION REGULATORY ACCOUNTS

2.1 AFFILIATE TRANSMISSION PROJECTS (ATP) ACCOUNT (ACCOUNT 1508)

The ATP Account consists of two sub-accounts: (i) the ATP Account – Development, Preliminary Engineering, and Planning Costs, and (ii) the ATP Account – Project Construction Costs. Hydro One Transmission proposes to continue the use of this account to record costs associated with ATPs that are undertaken in advance of meeting the criteria for inclusion in Construction Work in Progress (CWIP), as well as to track project construction costs associated with ATPs that are expected to be owned by, and included in the rate base of, partnerships between Hydro One and one or more third-party partners. As these assets are not expected to form part of Hydro One Transmission's regulated rate base, a separate tracking mechanism is necessary to ensure appropriate cost segregation and transparency to facilitate the transition of costs to each partnership upon completion.

The ATP Account is intended to support large, complex, and often unplanned transmission projects that typically require significant upfront development, engineering, planning, and construction expenditures over extended project timelines. By recording these costs in a dedicated deferral account, Hydro One Transmission is able to advance strategically important projects without requiring material re-prioritization of its existing capital investment program.

Absent this account, Hydro One Transmission may be required to defer or reprioritize investments within its core transmission business to accommodate ATP-related expenditures, potentially impacting its ability to maintain the reliability, safety, and integrity of the provincial transmission system. The continuation of the ATP Account therefore promotes the timely development of affiliate transmission projects while protecting existing customer-funded investments and maintaining focus on Hydro One Transmission's ongoing asset management obligations.

2.2 CUSTOMER CONNECTION AND COST RECOVERY AGREEMENTS (CCRA) TRUE-UP VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Transmission proposes to continue to record variances between the revenue requirement impact of capital contributions collected and the corporate income tax payments related to load true-ups performed in accordance with the Transmission System Code, Section 6.5.3. As revenue requirement includes taxes, this account will also capture any applicable tax gross-up. Refer to Exhibit G-01-01, section 3.4 for an overview of the account mechanics.

2.3 CAPITAL CONTRIBUTION RECOVERY DIFFERENTIAL ACCOUNT – BARRIE AREA TRANSMISSION UPGRADE – BATU (ACCOUNT 1508)

Hydro One Transmission proposes to continue to capture the tax grossed-up difference between the interest income Hydro One will receive at the OEB's prescribed CWIP rate and Hydro One Transmission's OEB-approved weighted average cost of capital on the unpaid capital contribution from the customer as approved in EB-2018-0117. Hydro One Transmission will be receiving the capital contribution over the term of this Application after the asset is placed in-service as per the Transmission System Code, Section 6.1.3.

2.4 INCREMENTAL CLOUD COMPUTING IMPLEMENTATION COSTS (ACCOUNT 1511)

Hydro One Transmission proposes to continue this account to facilitate the complete recording and subsequent recovery of prepaid amortization amounts, associated tax impacts, and related financing costs for projects approved for inclusion in the account prior to January 1, 2028. Cloud computing projects completed in 2027 will have implementation costs that are amortized over future periods. Consequently, prepaid balances and associated carrying costs will continue to exist beyond the current sunset date of December 31, 2027. To clarify, with respect to prepaid amortization amounts incurred after December 31, 2027, Hydro One Transmission will only record project costs that are not already included in this Application's revenue requirement for the Custom IR term to avoid double counting recoveries. Continuation of the account is necessary to ensure the orderly

disposition and recovery of these prudently incurred costs and to maintain an appropriate matching of costs and benefits for customers.

2.5 OPEB ASYMMETRICAL CARRYING CHARGE ACCOUNT (ACCOUNT 1522)

Hydro One Transmission proposes to continue this account to record the carrying charges associated with the difference between OPEB costs calculated under the accrual method and cash payments made using the modified approach previously approved by the OEB in EB-2021-0110. Hydro One Transmission continues to recover OPEB costs on an accrual basis, and as such, continuation of the account ensures that customers receive the appropriate return on the cumulative net OPEB balances reflected in rates.

2.6 TAX RATE CHANGES VARIANCE ACCOUNT (ACCOUNT 1592)

Hydro One Transmission will continue to use this account to track both positive and negative revenue requirement impacts arising from legislative or regulatory changes to tax rates or rules compared to costs approved by the OEB as part of the 2028-2032 transmission revenue requirement. As the revenue requirement includes taxes, this account will also capture any applicable tax gross-up. This account was established by the OEB for utilities as per the Accounting Procedures Handbook.

2.7 EXTERNAL STATION MAINTENANCE, E&CS [1] REVENUE AND OTHER EXTERNAL REVENUE VARIANCE ACCOUNT (ACCOUNT 2405)

Hydro One Transmission proposes to continue to record the difference between the actual External Station Maintenance, E&CS Revenues and Other External Revenues against the estimated revenues approved by the OEB as part of 2028-2032 transmission revenue requirement application. This account has been approved for continuance since 2009, and these external revenues continue to be removed from rates revenue requirement. This account ensures that customers receive the benefit of any external revenues, which might be under-forecast compared to actuals, and enables Hydro One to ensure recovery of shortfalls in revenues relative to the forecasts provided.

[1] Engineering & Construction Services

2.8 RIGHTS PAYMENTS VARIANCE ACCOUNT (ACCOUNT 2405)

Hydro One Transmission proposes to continue this account to ensure that customers receive the benefit of any shortfall in actual rights payments relative to forecast, while enabling Hydro One to recover rights payments made in excess of the forecast used to establish the Transmission revenue requirement. This account has been approved for continuance since 2011.

2.9 PENSION AND OPEB FORECAST ACCRUAL VERSUS ACTUAL CASH PAYMENT DIFFERENTIAL VARIANCE TRACKING ACCOUNT (ACCOUNT 1522)

Hydro One Transmission proposes to continue this account in accordance with the *OEB's Report on the Regulatory Treatment of Pension and OPEB Costs* (EB-2015-0040), to track the difference between the forecasted accrual amount in rates and actual cash payment(s) made. Hydro One Transmission seeks to continue this account on the same basis as currently calculated for the OPEB Asymmetrical Carrying Charge Account discussed in Section 2.5 above.

2.10 EXCESS EXPORT SERVICE REVENUE VARIANCE ACCOUNT (ACCOUNT 2405)

Hydro One Transmission proposes to continue to record the difference between the actual export service revenue and the revenues approved by the OEB as part of 2028-2032 transmission revenue requirement in the current application. Export transmission revenues are directly dependent on the findings of the OEB on the Export Transmission Service (ETS) Rate. This account has been approved for continuance since 2009 and there have been no changes to the application of the ETS rates. This account ensures that customers receive the benefit of any export transmission revenues in excess of forecast, and enables Hydro One to ensure recovery of shortfalls in revenues relative to forecasts provided.

2.11 TRANSMITTER DOUBLE PEAK BILLING ACCOUNTS (ACCOUNT 1512)

The Transmitter Double Peak Billing Accounts established in the EB-2022-0325 generic proceeding are comprised of the following accounts:

- Account 1512 - Transmitter-Issued Double-Peak Billing Refunds
- Account 1512 - Transmitter-Issued Double-Peak Billing Refunds, Carrying Charges
- Account 1512 - Sub-account Transmitter-Issued Double-Peak Billing Incremental Administrative Costs
- Account 1512 - Sub-account Transmitter-Issued Double-Peak Billing Incremental Administrative Costs, Carrying Charges

Hydro One Transmission proposes to continue these accounts to record the impacts of double-peak billing arising from transmission system outages and associated load transfers. These events are driven by transmission system requirements that are outside of the Company's control and cannot be reasonably forecast or reflected in base rates. Continued use of the account ensures that resulting costs and refunds are tracked transparently and treated fairly, consistent with the OEB's established framework for addressing double-peak billing impacts.

2.12 PENSION COST DIFFERENTIAL VARIANCE ACCOUNT (ACCOUNT 2405)

Hydro One Transmission proposes to continue this account to record the difference between the OM&A portion of pension cost estimates based on actuarial assessments used for this Application and the actual OM&A portion of pension contributions made in respect of Hydro One Transmission as part of 2028-2032 transmission revenue requirement. This account has been approved for continuance since 2011 and Hydro One has consistently been permitted to recover pension costs through rates. This account ensures that customers receive the benefit of any shortfall in actual pension contributions made and enables Hydro One to recover pension contributions made in excess of the forecasts provided.

2.13 CLEAN ENERGY TAX CREDIT DEFERRAL ACCOUNT – TRANSMISSION (ACCOUNT 2405)

Hydro One Transmission requests approval to continue this deferral account to record the revenue requirement impacts of eligible federal clean energy tax credits associated with investments in net-zero technologies, battery storage solutions, interprovincial transmission assets and other qualifying technologies introduced by the Government of Canada.

Continuance of this account remains appropriate as significant uncertainty persists regarding the timing, nature, and eligibility of capital investments that may qualify for these tax credits. Given the long-term planning and execution horizons associated with transmission infrastructure projects, it is not possible to forecast with reasonable certainty when qualifying investments will be placed into service or the extent to which the associated tax credits will be available and applicable during the test period. Absent the continued availability of this account, the impacts of these investment tax credits will not be captured and returned to customers.

Industry stakeholders continue to engage with the Government of Canada regarding the scope and applicability of federal clean energy investment tax credits, including potential expansion to additional classes of eligible assets.[2] Should future legislative, regulatory, or administrative changes expand the scope of eligible investments, Hydro One proposes that the account continue to capture the revenue requirement impacts associated with such expanded eligibility, consistent with the original intent of the account to track the impacts of federal clean energy tax incentive programs. This approach will provide regulatory efficiency and avoid the need for future applications to amend the account solely to reflect changes in the scope of qualifying investments established by the Government of Canada.

[2] Goyal, Reena, et al. (2026, May 20). Canada Issues National Strategy for Electrifying the Canadian Economy: “Powering Canada Strong”. https://www.blakes.com/insights/canada-issues-national-strategy-for-electrifying-the-canadian-economy-powering-canada-strong%E2%80%9D/

3.0 REQUESTS FOR MODIFIED TRANSMISSION REGULATORY ACCOUNTS

3.1 EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT (ACCOUNT 1508) – *MODIFICATION*

Hydro One Transmission proposes to continue this account subject to the modification described below. As explained in Exhibit G-01-01, section 3.7, this account was approved in Hydro One's previous rebasing application (EB-2021-0110), to record the revenue requirement impact including tax, if any, of variances between the in-service additions embedded in Hydro One's approved revenue requirement relating to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by governmental authorities, including indirectly through agencies, Crown corporations, or similar parties through regulation, policy changes, or other official directives (Externally Driven Work) and the actual in-service additions arising from Externally Driven Work during the 2023-2027 rate period.[3]

This account does not include Externally Driven Work where such work is to be owned and included in the rate base of any partnership affiliated with Hydro One Transmission, as those amounts would be recorded in the Affiliate Transmission Projects Account. To the extent that the Affiliate/Partnership projects captured by that account require Hydro One Transmission to undertake Externally Driven Work for facilities that will be owned by and included in Hydro One Transmission's rate base, such as stations work, that work would be reflected in the Externally Driven Transmission Projects Variance Account.

In the current Application, Hydro One is proposing to modify this account to clarify the inclusion criteria for Externally Driven Work and set the baseline capital expenditures and in-service additions (ISA) for the 2028-2032 period.

[3] The Externally Driven Work ISD and amounts provided in: EB-2021-0110, Decision on Settlement Proposal and Order on Rates, Revenue Requirement and Charge Determinants, November 29, 2022, Schedule A, Settlement Agreement - Issue 29, Table 40.

During the 2023-2027 period, Hydro One experienced unprecedented and unexpected growth in connection demand and system expansion needs. This growth is expected to continue and intensify throughout the 2028-2032 rate period, driven by an increase in IESO Regional Planning and Bulk System Planning related investments, and/or investments driven by the Government of Ontario's Integrated Energy Plan. These investments are mandatory (non-discretionary), as further discussed in TSP Section 2.12, T-SS-10 and T-SS-11, and are required to support regional load growth, maintain inter-area network transfer capability, ensure local area supply adequacy, mitigate system risks related to safety, security and reliability, address customer power quality concerns and enable broader policy objectives. Where it results in efficiencies, these investments may accelerate renewal work of existing poor condition components.

In this Application, Hydro One Transmission used the best information available to develop its capital expenditure and ISA forecasts for known Externally Driven Work (see TSP Sections 2.6, and 2.8, and the investment summary documents in TSP Section 2.12 listed in Table 6 below). However, due to Externally Driven Work being mandatory, significant in scale, complex and outside of Hydro One's control, there are significant risks in relation to cost and schedule for this work. Projects may be announced or cancelled, and their timing may be advanced or delayed, all at the discretion of the relevant government authority. In addition, regulatory decisions or orders, such as with respect to the classification of projects and project components, can impact costs and scope. As a result, the scope, timing and cost of existing investments and the emergence of new investments can have significant impacts on Hydro One's ability to fulfill its other transmission investment plans based on the capital and ISA funding envelope approved in this Application.

Hydro One has experienced an influx of Externally Driven Work that has resulted in a significant increase in System Access and System Service capital expenditures over the 2023-2027 period, as further discussed in TSP Section 2.9. These investments were identified as necessary through regional plans, where Hydro One is the lead transmitter in 20 of 21 planning regions, and through bulk system plans led by the IESO. In some cases,

these investments are further supported by IESO letters, Orders in Council and Ministerial Directives. The significant costs associated with Externally Driven Work cannot be offset through the reprioritization of other required investments, as doing so would compromise Hydro One's ability to maintain or restore system reliability and integrity, or enable new development.

The IESO, through its ongoing planning engagements, continues to assess needs across the province. Hydro One anticipates that the IESO will publish at least five Bulk System Studies and 12 Integrated Regional Resource Plans in 2026 and 2027 (during the hearing of this Application) and more during the 2028-2032 period, which will identify further mandatory investments that will exceed provisions for future work included in the current investment plan (TSP Section 2.12, T-SS-08 and T-SS-11). Where Hydro One becomes aware of new Externally Driven Work during the hearing of this Application, Hydro One has outlined its approach in TSP Section 2.6 to update the investment plan where possible. However, in the course of evaluating the Application or after the OEB issues its Decision in this Application, the associated revenue requirement variance for Externally Driven Work will be recorded in this account according to the final baselines of the investments presented in Table 6, which may be updated during the course of this Application.

Based on the foregoing, Hydro One proposes to modify the account to clarify that it shall include: i) development work (preliminary engineering, environmental and planning work, etc.) for Externally Driven Work; and ii) Externally Driven Work that may arise from legislation, regulation, codes, licenses, reports, studies, assessments, letters and similar instruments/documents issued by governmental authorities, where Hydro One is expected to undertake the related work as lead transmitter in regional planning and as the identified or default transmitter in bulk planning. In the event Externally Driven Work is not in-serviced because of circumstances that are beyond Hydro One's control, Hydro One would seek to recover its prudently incurred development work costs, construction costs and reasonable wind-up costs. Asset removal cost variances associated with Externally Driven Work baselines would be considered in the Depreciation Expense (Asset Removal

Costs) Symmetrical Cumulative Variance Account – Transmission that is proposed for approval (see section 3.6 below).

The transmission capital expenditures and ISA baselines for this account are provided in Table 6.

Table 6 - Externally Driven Transmission Projects Variance Account Baselines

$M	2028	2029	2030	2031	2032
Capital (Total)	**1,140.7**	**1,421.4**	**1,461.1**	**1,613.0**	**1,178.6**
T-SA-04 Connect Metrolinx Traction Substations	1.1	0.6	0.0	0.0	2.1
T-SA-07 Secondary Land Use Projects	45.9	47.7	49.3	54.7	42.0
T-SR-01 Transmission Station Renewal – Network Stations (T-SR-1.36 Keith TS: PSR5)	9.6	0.4	0.0	0.0	0.0
T-SS-09 - West of London Reinforcement	55.4	42.8	28.9	0.5	0.0
T-SS-10 Greenstone Transmission Line Project – Station	20.0	20.0	16.0	19.0	20.0
T-SS-11 Bulk Planning	762.4	1042.4	1,097.0	1,291.6	939.4
T-SS-12 Regional Planning	216.4	250.7	252.9	237.3	170.1
T-SS-13 Mitigation of MV/HV Fault Levels	14.9	16.8	16.9	10.0	5.0
T-SS-16 Waasigan Station Work	15.2	0.0	0.0	0.0	0.0
ISA (Total)	**152.4**	**1,248.7**	**584.9**	**1,067.1**	**3,577.1**
T-SA-04 Connect Metrolinx Traction Substations	0.0	1.8	0.0	0.0	0.0
T-SA-07 Secondary Land Use Projects	0.6	0.9	0.9	0.9	277.3
T-SR-01 Transmission Station Renewal – Network Stations (T-SR-1.36 Keith TS: PSR5)	52.0	0.4	0.0	0.0	0.0
T-SS-09 West of London Reinforcement	0.0	0.0	284.5	0.5	0.0
T-SS-10 Greenstone Transmission Line Project - Station	0.0	0.0	0.0	0.0	117.0
T-SS-11 Bulk Planning	5.0	1,048.1	263.6	570.7	2,971.6

T-SS-12 Regional Planning	73.7	190.9	34.1	495.0	159.3
T-SS-13 Mitigation of MV/HV Fault Levels	5.8	6.8	1.9	0.0	52.0
T-SS-16 Waasigan Station Work	15.2	0.0	0.0	0.0	0.0

The modified Draft Accounting Order for the Externally Driven Transmission Projects Variance Account is provided in Attachment 1.

3.2 EXTERNAL SECONDARY LAND USE REVENUE VARIANCE ACCOUNT (ACCOUNT 2405) – *MODIFICATION*

As described in Exhibit G-01-01, section 3.12, the External Secondary Land Use (SLU) Revenues variance account has been approved since 2009. The SLU Revenues variance account is used to record the difference between the actual External SLU Revenues and the External SLU Revenues approved by the OEB as part of the transmission revenue requirement. This account addresses forecast risk by ensuring that customers receive the benefit of any incremental external SLU revenues, and that Hydro One can recover any shortfalls in external SLU revenues.

To align with the approach taken for other external revenue accounts approved for Hydro One Transmission, Hydro One Transmission requests modification to this account to enable the account to capture the cost of sales associated with earning the applicable revenues. The External SLU Revenues variance account historically has not captured variances net of the cost of sales, as Hydro One was not previously capable of measuring the incremental cost of sales associated with external SLU revenues.

As explained in Exhibit E-04-06, existing SLU program resources were insufficient to accommodate the increased volume of program proposals. Beginning in 2023, annual incremental labour and technology investments were required to support the growth in demand under this program while maintaining execution quality. The annual investments support the staffing, technology, and program controls needed to manage future demand volatility, and to preserve long term execution integrity under the program. The program will therefore be managed under a net proceeds approach, with an annual investment of

approximately $4.0M for incremental labour, technology support, and program controls to support the higher levels of forecast revenue. These investments in SLU resources support the program mandate of protecting corridor integrity while enabling safe and compatible uses that advance provincial economic and infrastructure priorities.

As incremental cost of sales associated with external SLU revenues are now quantified, Hydro One requests modification of this account to be consistent with other Hydro One approved external revenue variance accounts.

The modified Draft Accounting Order for the External Secondary Land Use Revenues Variance Account is provided in Attachment 2.

3.3 TRANSMISSION SALE OF PROPERTIES DEFERRAL ACCOUNT (ACCOUNT 2405) – MODIFICATION

Hydro One Transmission proposes to continue this account subject to the proposed modification described below. This account was established upon settlement of the EB-2021-0110 application, with the following two sub-accounts:

1. A Revenue Requirement Impacts sub-account to record the revenue requirement impact, including taxes, associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio, which are being recovered in rates but no longer owned by Hydro One during all or part of the 2023-2027 Custom IR term; and
2. A Gain/Loss on Sale sub-account to record the after-tax gains or losses from the sale of land and buildings in the General Plant Facilities and Real Estate portfolio recovered in rates, during the 2023-2027 Custom IR term.

Hydro One is maintaining this account as a deferral account as it reviewed the land and buildings in the General Plant Facilities and Real Estate portfolio and identified no properties that are expected to be sold during the 2028-2032 period at this time. Properties

sold and expected to be sold during the 2023-2027 period are discussed in Exhibit G-01-01, sections 3.18 and 5.23.

In this Application, Hydro One is proposing to modify this account to record revenue requirement and after-tax gains or losses related to land and buildings that are sold during the 2028-2032 period, but only where in connection with the purchase of new land and the purchase or construction of new buildings for purposes of consolidating or replacing the land and buildings that are sold, as further described in GSP Section 4.11, G-GP-03.

To the extent the modified account does not apply to the sale of land and/or buildings, on the basis that they are surplus to Hydro One's needs, the after-tax gains or losses will, in the normal course of business, be included in the calculation of net income and contribute to earnings that, if the ESM threshold is triggered, will be shared with customers by operation of the ESM deferral account, consistent with the Custom IR framework.

The modified Draft Accounting Order for the Transmission Sale of Properties Deferral Account is provided in Attachment 3.

3.4 LONG-TERM TRANSMISSION STUDIES DEFERRAL ACCOUNT (ACCOUNT 1508) – MODIFICATION

Hydro One Transmission proposes to continue the Long-Term Transmission Future Corridor Acquisition and Development Deferral account, as initially established in EB-2012-0031, but subject to the modifications described below.

Since EB-2012-0031, this account has been used to record transmission planning and study costs associated with preliminary consideration of corridor routing for new transmission infrastructure, which would otherwise be expensed. In this Application, Hydro One is proposing to expand the account to capture:

i. Transmission planning and study costs associated with preliminary consideration of corridor routing for new transmission infrastructure (the current scope); and

ii. Costs of undertaking transmission planning and studies related to transmission stations at the request of governmental authorities, including the IESO, Crown corporations and other agencies, to inform studies, reports, plans and other evaluations, including but not limited to informing bulk system planning and regional system planning (new scope).

Due to the proposed account modification, Hydro One proposes that the name of the account be modified to Long-Term Transmission Studies Deferral Account.

Hydro One anticipates receiving a higher volume of requests to undertake IESO requested studies on optionality related to future transmission line and station developments to inform broader infrastructure enablement or development in light of the Government of Ontario's *Integrated Energy Plan* released in June 2025. With the *Integrated Energy Plan*'s focus on preserving strategic transmission corridors and advanced transmission planning, Hydro One's preliminary study efforts will support and inform timely recommendations to ensure the system is positioned to meet demand and support economic growth.

The modified deferral account would enable Hydro One to record costs, which are expected to be material, to conduct an increasing number of IESO and/or government driven studies that are outside of Hydro One's control and are not accounted for in the Transmission revenue requirement. This account will not include any costs related to development work relating to Externally Driven Work as defined in section 3.1 above.

The modified Draft Accounting Order for the Long-Term Transmission Future Corridor Studies Deferral Account is provided in Attachment 4.

3.5 EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT – TRANSMISSION (ACCOUNT 2435) – MODIFICATION

As described in Exhibit G-01-01, the Earnings Sharing Mechanism (ESM) deferral account for Hydro One Transmission records 50% of earnings that exceed the OEB-approved

regulatory return on equity (ROE) by more than 100 basis points in a given year during the Custom IR term. Historically, actual ROE has been calculated using the OEB-approved mid-year rate base for the applicable period.

Hydro One Transmission proposes to modify the ESM deferral account to operate as a cumulative asymmetrical earnings-sharing mechanism over the 2028 to 2032 Custom IR term. Under the proposed approach, the ESM deferral account balance will be adjusted annually based on cumulative earnings achieved over the entire five-year term and 50% of any cumulative earnings in excess of the approved ROE by more than 100 basis points will be recorded in the ESM deferral account for the benefit of customers. This modification is beneficial to customers, as this approach aligns with the Custom IR incentive-based framework by encouraging efficiency improvements, while providing customers with a share of material earnings achieved above the approved return at the end of the five-year term.

In addition, Hydro One Transmission will calculate actual ROE using actual rate base, determined as the sum of average regulated fixed assets and the working capital allowance, as reported in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's Regulatory Reporting Requirements (RRR). The use of actual rate base in the calculation is consistent with RRR 2.1.5.6 filing guideline. Any amount subject to sharing with customers will be grossed-up for the associated tax impact, to the extent that there are no tax losses available in the year to offset the excess earnings.

The following illustrative example in Table 7 shows the proposed calculation under the cumulative asymmetrical ESM. Actual ROE performance would be assessed on a cumulative basis over the 2028-2032 Custom IR term. Annual over- and under-performance relative to the approved ROE would offset one another when determining cumulative earnings. Only where cumulative earnings exceed the approved regulatory ROE by more than 100 basis points over the five-year term would 50% of the excess earnings be recorded in the ESM deferral account for the benefit of customers.

Table 7- Illustrative Example of ESM Calculation ($M)

Year	Illustrative Over/(Under) Earning to Allowed Threshold (%)	Illustrative Actual Rate Base	Excess Earnings Pool	Ratepayer's Share (50%)	Grossed up Ratepayer's Share	Cumulative Amount in ESM Deferral
1	1.00%	19,198	86.4	43.2	58.8	58.8
2	0.50%	20,665	46.5	23.3	31.6	90.4
3	-0.50%	22,246	(50.1)	(25.0)	(34.1)	56.4
4	-0.50%	24,155	(54.4)	(27.2)	(37.0)	19.4
5	0.00%	28,421	-	-	-	**19.4**

Per this illustrative example, there would be $19.4M to be returned to customers by the end of the 2028-2032 Custom IR term.

The modified Draft Accounting Order for the ESM Deferral Account (Transmission) is provided in Attachment 5.

3.6 DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) SYMMETRICAL CUMULATIVE VARIANCE ACCOUNT – TRANSMISSION (ACCOUNT 2405)

Hydro One Transmission proposes to continue the Depreciation Expense (Asset Removal Costs) Account subject to the following modifications.

Currently, the Depreciation Expense (Asset Removal Costs) Account is an asymmetrical account to record differences between the revenue requirement associated with asset removal cost forecasts that have been included in the proposed depreciation expenses from 2023-2027 and actual asset removal costs incurred in each of the test years, including tax impacts on a cumulative basis. The account ensures that customers receive the benefit of any shortfall in asset removal costs incurred.

Under the proposed modification, this account would record, on a cumulative basis, the differences between:

- the revenue requirement associated with forecast asset removal cost, included in depreciation expense for the 2028-2032 test years, including asset removals related to externally driven work; and
- actual asset removal costs incurred in each of the test years, including applicable tax impacts.

The proposed modification would make the account symmetrical, such that both over- and under-spending relative to the approved forecast would be recorded in the account for future disposition. As such, the account name is proposed to be modified from an *asymmetrical* cumulative variance account to a *symmetrical* cumulative variance account.

This symmetrical treatment is appropriate because actual asset removal costs may vary above or below forecast levels due to the timing, scope, and execution of asset retirement activities, including externally driven work activities, which are not fully within Hydro One's control. Therefore, a symmetrical variance account appropriately protects both customers and the utility from material forecast variances.

Please see Exhibit E-08-01, section 2.3, for a discussion on the forecast asset removal costs within depreciation expense. The baseline forecast asset removal costs for Hydro One Transmission are as follows:

Table 8 - Forecast Asset Removal Costs – Transmission ($M)

	2028	2029	2030	2031	2032
Asset removal costs	71.2	67.1	87.9	97.9	84.7

The modified Draft Accounting Order for the Depreciation Expense (Asset Removal Costs Symmetrical Cumulative Variance Account Transmission) is provided in Attachment 9.

4.0 REQUESTS FOR DISCONTINUANCE OF TRANSMISSION REGULATORY ACCOUNTS

4.1 MISALLOCATED FUTURE TAX SAVINGS CARRYING CHARGES (ACCOUNT 1508)

Hydro One Transmission proposes to discontinue this account as it was previously requested to remain open so that the interest accumulated on the outstanding principal balance of the Misallocated Future Tax Savings over the approved recovery period could be requested for disposition in this Application.

4.2 EXTERNAL REVENUE – PARTNERSHIP TRANSMISSION PROJECTS DEFERRAL ACCOUNT (ACCOUNT 2405)

Hydro One Transmission proposes to discontinue this account, as described in Exhibit G-01-01, section 4.7, as the ATP - Project Development, Preliminary Engineering and Planning Work deferral account (discussed in section 2.1 above) captures the same nature of those costs. The ATP deferral account records costs related to project preparation conducted by Hydro One prior to the point from where costs qualify to be recorded in construction work in progress (CWIP). This will help achieve regulatory efficiency and streamline the number of DVAs that Hydro One Transmission needs to maintain for reporting purposes.

4.3 OTHER POST – EMPLOYMENT BENEFITS (OPEB) COST DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Transmission proposes to discontinue this account as the account remained open to dispose of any interest accumulated during the approved disposition period.

4.4 OEB COST ASSESSMENT VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Transmission proposes to discontinue this account, as the OEB's updated cost assessments have been reflected in this Application. Hydro One Transmission proposes that the balances attributable to 2026 and 2027, including carrying charges, remain eligible

for disposition in its next rebasing application if the forecast amounts are not approved for disposition in this proceeding.

4.5 CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT – TRANSMISSION (ACCOUNT 1508)

Hydro One Transmission proposes to discontinue this account because the account was approved to record the revenue requirement impact associated with the net incremental tax benefits arising from additional capitalized overheads deductions for the 2016-2022 period as a result of Hydro One amending its prior tax amounts. Amounts are recorded at the earlier of (i) when the tax return of a particular year is audited by the CRA and the new filing position is accepted as filed or (ii) when the taxation year becomes statute barred. This account also captures variances in the revenue requirement associated with CRA reassessments with respect to the capitalized overhead tax benefits that have been incorporated in the OEB approved revenue requirement for 2023 to 2027. While the required journal entries are currently expected to be substantially recorded by the end of 2027, additional entries may be required beyond 2027 as a result of CRA audits, reassessments, or other determinations relating to the 2023-2027 taxation years. Any such entries recorded after 2027 shall continue to be eligible for disposition through this account.

While the account is proposed to be discontinued in the upcoming rate term, Hydro One Transmission proposes that the account remain open to record any additional entries required beyond 2027, including carrying charges and any amounts arising from CRA reassessments related to the 2023-2027 taxation years that are recorded after 2027, remain eligible to be brought forward for disposition in its next rebasing application.[4]

[4] The discontinuation of this account is similar to the treatment of the LDC CDM and Demand Response Variance Account, described in Exhibit G-01-01, section 3.1, where it was approved to be discontinued in EB-2021-0110, but could remain open to record any principal balances relating to prior periods which are being brought forward for disposition in this Application.

5.0 REQUESTS FOR NEW TRANSMISSION REGULATORY ACCOUNTS

5.1 CYBER SECURITY VARIANCE ACCOUNT (TRANSMISSION) (ACCOUNT 1508) – *NEW*

For the 2028-2032 rate term, Hydro One Transmission proposes the establishment of a new Transmission Cyber Security Variance Account to record the revenue requirement impacts of incremental net new capital and pre-paid transmission investments required to address new, amended, or unplanned cybersecurity compliance obligation arising from future North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) requirements, regulatory directives, or compliance obligations that were not known or reasonably foreseeable at the time the Application was developed.

Cybersecurity requirements applicable to critical infrastructure utilities continue to evolve in scope, complexity, and timing. As such, there may be the following unplanned obligations that include:

- The introduction of new or amended NERC CIP standards (e.g. NERC CIP100 series currently under development by NERC);
- Revised mandatory compliance requirements, directives, orders, determinations, or implementation obligations issued by applicable regulatory, reliability, or governmental authorities, including NERC, NPCC, FERC, the OEB, or other authorities having jurisdiction; or
- Changes in mandated implementation timelines that necessitate earlier or more extensive capital deployment than forecast at the time of the Application.

The scope and timing of future requirements remain uncertain and cannot be reliably forecast over the five-year rate period. In certain circumstances, a single compliance-driven initiative (e.g. enhanced monitoring, secure access control, cryptographic protection, or network segmentation) may exceed Hydro One Transmission's materiality threshold (currently $4M). Given these expenditures are mandatory investments, absent a variance account mechanism, Hydro One will be required to redirect funding included in rates. These project deferrals could include redirecting approved capital programs away from system renewal and reliability

investments to address new NERC CIP requirements. As a result, a Transmission Cyber Security Variance Account is proposed to address any incremental cybersecurity capital requirements that are not captured in the plan due to changes in regulatory standards, enforcement expectations, or implementation timelines that are outside of Hydro One's control, and to true-up for any potential variances above or below existing amounts embedded in rates.

The proposed account is intended to operate as a symmetrical variance account. Amounts recorded will reflect variances between forecasted baseline cybersecurity in-service additions embedded in rate base and the actual incremental in-service additions made to satisfy new or changed compliance requirements. Baseline cybersecurity capital investments included in this Application are reflected in approved investment plans and associated GSP Section 4.11, G-GP-11 (Cybersecurity and Digital Protection) and G-GP-12 (Common Operations Technology Infrastructure) G-GP-30 (Enterprise Security Platforms and Controls). These baseline investments address known regulatory requirements and compliance obligations as of the time of filing. Underspending relative to the baseline would be returned to customers, while incremental prudently incurred costs would be subject to future recovery, consistent with OEB policy. The account would attract carrying charges at the OEB prescribed rate.

Table 9 provides the forecasted amount for each year of the 2028 to 2032 rate term. Baselines may be updated as required during the course of this proceeding.

Table 9 - Baseline for Transmission Cyber Security Variance Account ($M)

	Capital					
G-GP-11	**2028**	**2029**	**2030**	**2031**	**2032**	**Total**
ISA (Total)	6.0	9.5	7.3	3.6	1.0	27.4
	Prepaid					
G-GP-30*	**2028**	**2029**	**2030**	**2031**	**2032**	**Total**
Prepaid (Total)	5.5	4.1	3.8	3.2	3.2	19.8
	Capital					
G-GP-12**	**2028**	**2029**	**2030**	**2031**	**2032**	**Total**
ISA (Total)	3.4	7.6	-	-	-	11.0

*Totals presented reflect the annual forecasted spend for prepaid Transmission cybersecurity investments. The combined (Transmission and Distribution) forecast can be viewed in Table 2 of GSP, Section 4.11, G-GP-30.

**Totals presented reflect only the Operating Technology (OT) cybersecurity related infrastructure lifecycle renewal investments and do not represent the full expenditure profile of G-GP-12.

With respect to the OEB's eligibility criteria for the establishment of new deferral and variance accounts:

- Causation: The costs proposed to be recorded in the Transmission Cyber Security Variance Account arise from external regulatory requirements and compliance obligations that arise after rates are set and are therefore outside the base upon which the rates proposed in this Application are derived.
- Materiality: Hydro One expects amounts recorded in the account to exceed the OEB's materiality threshold due to the scale and complexity of compliance-driven cybersecurity initiatives applicable to critical transmission infrastructure. New or amended NERC CIP requirements can necessitate enterprise-wide technology deployments, operational technology security enhancements, secure access controls, monitoring capabilities, cryptographic controls, or network architecture changes across multiple facilities and systems. Such initiatives are mandatory in nature and may require substantial capital and OM&A expenditures that cannot be reasonably accommodated through normal productivity improvements or through redirection of existing funding without impacting the execution of approved reliability, asset renewal, or compliance programs. As a result, the costs recorded

in the account are expected to have a significant influence on Hydro One Transmission's operations and investment planning.

- Prudence: Cybersecurity compliance investments subject to this account are non-discretionary. Hydro One Transmission is required to comply with applicable NERC CIP standards and related directives, and deferral of such investments would expose the Company to compliance risk, potential enforcement action, and increased operational and reliability risk. The proposed account provides a prudent mechanism to ensure compliance obligations can be addressed in a timely manner without undermining execution of the OEB-approved capital plan.

The Draft Accounting Order for the Transmission Cyber Security Variance Account is provided in Attachment 6.

5.2 CHANGE OF LAWS DEFERRAL ACCOUNT (TRANSMISSION) (ACCOUNT 1508) – *NEW*

Hydro One operates its Transmission business within a complex and evolving legal and regulatory context, in which the Company is subject to a wide range of federal and provincial statutes and regulations, as well as regulatory and market-related rules, some of which give the force of law to certain safety, technical and reliability standards, together with municipal requirements in the communities where it operates. Operating the Transmission business in this context causes significant uncertainty for Hydro One in forecasting its costs and revenues over the upcoming rate term. Changes of laws are outside of the Company's control and can significantly alter its compliance requirements and have a material impact on its forecast costs and revenues. This is because Hydro One's forecast costs and forecast revenues underlying its proposed Transmission revenue requirement do not reflect the impacts of potential changes of laws, such as those that have not yet been published on a final basis.

To address this uncertainty, Hydro One proposes, for its Transmission business, the establishment of a new Change of Laws Deferral Account to record material impacts to costs and revenues of the Transmission business over the 2028-2032 rate term where

those impacts result from changes in legal and regulatory requirements that are not reflected in Hydro One's base Transmission revenue requirement and are not already reflected in other approved deferral or variance accounts. The deferral account will capture the revenue requirement impact of such impacts to the business.

In proposing this account, Hydro One is mindful of the decision in EB-2023-0098, where the OEB denied OPG's request for a variance account to capture the impacts of the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* being overturned by the Ontario Superior Court after OPG's payment amounts had been approved. In its decision which it upheld on a motion to review and vary in EB-2023-0209, the OEB found that the overturning of this legislation was a foreseeable and material risk to the compensation costs embedded in OPG's application, which OPG could have addressed by identifying the issue and seeking a variance account as part of its application.

At the time of filing this Application, Hydro One has identified several areas in which there is potential for changes of laws or judicial proceedings that can affect its forecast costs and revenues, including:

- Further changes to all retaliatory tariffs, for example steel tariffs that directly increase the cost of any affected imported steel or steel derivatives, immediately raising project and capital spend. This reduces Hydro One's ability to source competitively from outside of Canada, often forcing a shift to higher-cost domestic suppliers.
- Under the Special Import Measures Act (SIMA), the Canadian government may impose additional anti-dumping duties on imported goods, which can restrict access to lower cost international suppliers and place upward pressure on procurement costs. These measures can have a material impact on capital project economics and bid competitiveness by increasing the overall landed cost of key inputs. For example, under SIMA, the Canada Border Services Agency (CBSA) currently imposes anti-dumping duties of 101% on large power transformers and 73% on small power transformers imported from South Korea.

- Bill 40, the *Protect Ontario by Securing Affordable Energy for Generations Act, 2025*, which amends the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* to prioritize economic growth and industrial expansion in energy planning, received Royal Assent on December 11, 2025. This includes any additional policies or regulations aimed at increasing Canadian procurement in the energy sector, including requirements mandated for Hydro One. Since this law passed, additional announcements have been released including:
    - On August 28, 2026, the Ministry of Energy and Mines sent a letter to all Local Distribution Companies regarding "Buy Ontario and Buy Canada" which asked utilities to maximize Ontario and Canadian content in the procurement of goods and services and look at all planned procurement activities for every opportunity to elevate local businesses and providers. These measures can have a material impact on Hydro One's procurement practices going forward.
    - Additionally, Bill 40 created an exception to the principle of "non-discrimination" in the electricity system and establishes new regulation-making authority to establish connection requirements for data centres. While consultations on the regulation have occurred, the final regulation and its implications for Hydro One Transmission are uncertain. Future regulations on the framework for new large data centres (e.g. greater than 1 MW) such as the Ministry of Energy and Mines' current proposal to establish a Data Centre Playbook to ensure responsible growth of the sector, which may have implications for Hydro One Transmission.
- Restrictions or instituted bans on certain materials used across Hydro One assets. For example, SF6 Gas has been banned in the European Union (complete phase out by 2032) requiring station redesigns.
- Changes in permitting, environmental processes or codes that may arise during the 2028-2032 rate term. By way of example, in the 2023 to 2027 rate term, Hydro One was required to comply with environmentally driven regulations that would trigger spending to phase out PCBs away from its planned investments. The impact of phasing out PCBs was significant to Hydro One's business.

With respect to the OEB's eligibility criteria for the establishment of new deferral and variance accounts:

- Causation: The amounts to be recorded in the proposed Change of Laws Deferral Account arise from changes in external legal and regulatory requirements that occur after rates are set and are therefore clearly outside the base upon which the rates proposed in this Application, including forecast revenue and revenue requirement, are derived.
- Materiality: Hydro One proposes that the account only captures material cost and revenue impacts, where materiality is aligned with the $4M materiality threshold from the Filing Requirements. As such, only amounts for change of law events that meet this materiality threshold could be recorded in the account and, therefore, the overall balance of the account would be expected to be sufficiently material to merit the account.
- Prudence: Hydro One is required to comply with applicable legal and regulatory requirements. Thus, non-compliance with these requirements would expose the Company to compliance risk, potential enforcement action and fines, and increased operational and reliability risk. The proposed account provides a prudent mechanism to ensure that any future changes in legal and regulatory laws and requirements with a material impact on the Transmission business can be addressed in a timely manner without undermining the execution of the OEB-approved capital plan.

The Draft Accounting Order for the Change of Laws Deferral Account (for Transmission) is provided in Attachment 7.

5.3 DIGITAL AND TECHNOLOGY SERVICES (DTS) OPERATIONS VARIANCE ACCOUNT (TRANSMISSION) (ACCOUNT 1508) – *NEW*

For the 2028-2032 rate term, Hydro One Transmission requests the establishment of a new DTS Operations Variance Account to record the difference between: (i) actual Third-Party Contracts costs incurred during the 2028 – 2032 Custom IR term; and (ii) the level of funding for those costs included in base rates. The account would apply to costs

associated with software licenses, software maintenance and subscription fees, cloud-based services, telecommunications services, cybersecurity tools, license fees, hardware maintenance, and other vendor-supported technologies that support Hydro One's DTS operations, collectively referred to as Third-Party Contracts costs.

As discussed in Exhibit E-04-04, section 1.1.1, Hydro One's operating environment has evolved into a digitally enabled utility that increasingly depends on technology to safely and reliably operate the electricity system, protect critical infrastructure, manage outages, support field operations, maintain cybersecurity, and provide customer services. The increasing number of connected customers, grid devices, field technologies, data sources, and digital platforms has materially expanded the technology footprint required to operate the business. This has resulted in growing reliance on vendor-supported technology solutions and corresponding Third-Party Contracts costs.

Hydro One developed a forecast for the Third-Party Contracts OM&A costs based on Hydro One's existing contractual commitments, expected vendor pricing changes, projected cloud and software subscription requirements, and the anticipated sustainment costs associated with technology solutions currently in service or planned to enter service during the Custom IR term.

Table 10 - 2028-2032 Forecast for Third-Party Contracts OM&A Costs allocated to Transmission

	2028	2029	2030	2031	2032
	Forecast	Forecast	Forecast	Forecast	Forecast
Third-Party Contracts Forecast	44.6	51.1	54.4	58.3	61.4
Growth Rate		15%	6%	7%	5%

Hydro One forecasts $44.6M of Third-Party Contracts OM&A costs allocated to Transmission in the 2028 test year, increasing to $61.4M by 2032, or by an average of 8% per year. Third-Party Contracts OM&A costs are forecast to increase at a materially higher rate than the escalation rate of OM&A provided by the Custom IR framework (see Exhibit A-04-02). The proposed DTS Operations OM&A Variance Account is intended to address

this funding variance. The account would attract carrying charges at the OEB prescribed rate.

With respect to the OEB's eligibility criteria for the establishment of this new variance account:

- Causation: The proposed account satisfies the causation criterion because the forecast amounts to be recorded in the account arise from cost pressures that are outside the base upon which rates are derived. Hydro One's proposed 2028 revenue requirement establishes a baseline level of Third-Party Contracts expenditures for the test year. Thereafter, funding is set through the Custom IR framework. However, Hydro One forecasts that Third-Party Contracts OM&A costs will increase at a materially higher rate than the escalation of OM&A provided by the Custom IR framework due to factors such as vendor pricing changes, evolving software licensing models, increasing adoption of cloud-based services, growing cybersecurity requirements, expanding telecommunications needs, and increasing data volumes.
- Materiality: The proposed account satisfies the materiality criterion because the forecast annual variances are expected to exceed the OEB-defined materiality threshold (currently $4M) and have a significant influence on Hydro One's operations. These forecast variances are material in nature and cannot reasonably be managed through normal productivity improvements or routine budget reallocations without adversely affecting Hydro One's ability to sustain critical technology services. Third-Party Contracts support the systems required to operate and secure Ontario's electricity system, including customer service platforms, outage management systems, operational technologies, cybersecurity capabilities, telecommunications infrastructure, and other essential digital services. Absent the proposed account, Hydro One would be required to offset these increasing costs through reductions in other operational activities, increasing risks to reliability, cybersecurity, operational resilience, and customer service. As such, the forecast amounts have a significant influence on Hydro One's operations and satisfy the materiality criterion.

- Prudence: The proposed account satisfies the prudence criterion because the forecast costs are based on a reasonable plan to sustain, operate, maintain, secure, recover, and support the technology environment required to operate an increasingly digital electricity utility.

The forecast growth in Third-Party Contracts does not reflect a discretionary expansion of technology services. Rather, it reflects the cumulative impact of an increasingly digital operating environment, growing security requirements, higher levels of vendor-supported technology, external vendor landscape of increasing license cost models, expanding data and telecommunications requirements, and the ongoing sustainment needs associated with a significantly larger technology footprint. Hydro One's forecasted increase in DTS OM&A reflects the level of investment required to support technology assets and services that are already in service, currently being deployed, or otherwise required to maintain reliable and secure utility operations. Historical funding constraints were managed through prioritization, deferral, and risk acceptance; however, Hydro One has reached a point where continued deferral is no longer sustainable.

The proposed account is a targeted mechanism intended to address material variances arising from external technology cost pressures that exceed the funding available through base rates. At the time of disposition, Hydro One will be required to demonstrate that costs recorded in the account were prudently incurred and represent cost-effective solutions for customers. Hydro One will continue to pursue cost mitigation measures to manage these costs, wherever practical. For these reasons, the forecast costs reflect prudent and reasonable expenditures that are necessary to support Hydro One's operational, security, and reliability obligations and satisfy the prudence criterion.

The Draft Accounting Order for the Transmission DTS Operations Variance Account is provided in Attachment 8.

6.0 REQUESTS FOR CONTINUANCE OF DISTRIBUTION REGULATORY ACCOUNTS

6.1 LOW VOLTAGE VARIANCE ACCOUNT (ACCOUNT 1550)

Hydro One Distribution will continue to use this account, as further described in Exhibit G-01-01, section 5.1, to record the variances arising from low voltage transactions which are not part of the electricity wholesale market.

6.2 SMART METER ENTITY (SME) CHARGE VARIANCE ACCOUNT (ACCOUNT 1551)

This account is a continuation of the account that was established consistent with the direction in the OEB's decision in proceeding EB-2012-0100/EB-2012-0211, dated March 28, 2013.

Hydro One Distribution requests continuance of this account to record and reconcile smart meter entity (SME) charge variances arising from differences between customer billings and actual SME costs. As the SME charge remains a pass-through charge, the account continues to provide an appropriate mechanism for tracking and disposing of any resulting variances.

6.3 RETAIL SETTLEMENT VARIANCE ACCOUNTS (1580, 1584, 1589)

Hydro One Distribution will continue to use this account, which encompasses several sub-accounts as further described in Exhibit G-01-01, section 5.3, to record the differences between the amounts owed to the IESO/host distributors and the amount billed to customers and retailers. This is an account that was established by the OEB for all distributors as per the Accounting Procedures Handbook.

6.4 ACCOUNT 1595 (2023) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED)

This rate rider was approved for establishment in the EB-2021-0110 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can

be requested for disposition in the next applicable annual update or rebasing application. As per section 2.9.1.3 of the Chapter 2 Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.5 ACCOUNT 1595 (2024) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED)

This rate rider was approved for establishment in the EB-2023-0030 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can be requested for disposition in the next applicable annual update or rebasing application. As per section 2.9.1.3 of the Chapter 2 Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.6 ACCOUNT 1595 (2024) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED) – CHAPLEAU

This Chapleau rate rider was approved for establishment in the EB-2023-0011 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can be requested for disposition in the next applicable annual update or rebasing application. As per section 2.9.1.3 of the Chapter 2 Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.7 ACCOUNT 1595 (2025) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED)

This rate rider was approved for establishment in the EB-2024-0032 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can be requested for disposition in the next applicable annual update or rebasing application.

As per section 2.9.1.3 of the Chapter 2 Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.8 ACCOUNT 1595 (2026) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED) – CHAPLEAU

This Chapleau rate rider was approved for establishment in the EB-2025-0030 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can be requested for disposition in the next applicable annual update or rebasing application. As per section 2.9.1.3 of the Chapter 2 Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.9 ACCOUNT 1595 (2026) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED)

This rate rider was approved for establishment in the EB-2025-0030 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can be requested for disposition in the next applicable annual update or rebasing application. As per section 2.9.1.3 of the Filing Requirement for Electricity Distribution Rate Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.10 ACCOUNT 1595 (2026) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED) – ESM RATE RIDER

This rate rider was approved for establishment in the EB-2025-0030 proceeding. Hydro One Distribution proposes to continue this account so that the accumulated balance can be requested for disposition in the next applicable annual update or rebasing application. As per section 2.9.1.3 of the Filing Requirement for Electricity Distribution Rate

Applications, distributors only become eligible to seek disposition of residual balances in Account 1595 two years after the expiry of the rate rider (i.e – the fourth year after the year the rate rider expires).

6.11 LONG TERM LOAD TRANSFER (LTLT) RATE IMPACT MITIGATION DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to continue to record lost revenue resulting from the rate impact mitigation plan for Residential and General Service rate class customers affected by the move from numerous local distribution companies (LDCs) to Hydro One as well as any costs involved in the set-up of such a plan. The impacted customers receive a monthly bill credit to offset the increase in delivery charges, as prescribed in Section 6.5.4 of the Distribution System Code (DSC). This account enables Hydro One Distribution to be kept whole and recover its lost revenues in order to be compliant with Section 6.5.4 of the DSC.

6.12 CAPACITY ALLOCATION MODEL (CAM) RELATED DEFERRAL AND VARIANCE ACCOUNTS (ACCOUNT 1508)

Hydro One Distribution proposes to continue these accounts to ensure appropriate recording and tracking of costs, customer contributions, financing charges, and associated variances arising from the implementation of the CAM established under EB-2024-0092.

6.13 INCREMENTAL CLOUD COMPUTING IMPLEMENTATION COSTS (ACCOUNT 1511)

Consistent with Hydro One Transmission, Hydro One Distribution seeks to continue this account on the same basis as currently described in Section 2.4 above. Hydro One Distribution proposes to continue this account to facilitate the complete recording and subsequent recovery of prepaid amortization amounts, associated tax impacts, and related financing costs for projects approved for inclusion in the account prior to January 1, 2028. Cloud computing projects completed in 2027 will have implementation costs that are amortized over future periods. Consequently, prepaid balances and associated carrying costs will continue to exist beyond the current sunset date of December 31, 2027.

To clarify, with respect to prepaid amortization amounts incurred after December 31, 2027, Hydro One Distribution will only record project costs that are not already included in this Application's revenue requirement for the Custom IR term to avoid double counting recoveries. Continuation of the account is necessary to ensure the orderly disposition and recovery of these prudently incurred costs and to maintain an appropriate matching of costs and benefits for customers.

6.14 OPEB ASYMMETRICAL CARRYING CHARGE VARIANCE ACCOUNT (ACCOUNT 1522)

Consistent with Hydro One Transmission, Hydro One Distribution proposes to continue this account in accordance with the *OEB's Report on the Regulatory Treatment of Pension and OPEB Costs* (EB-2015-0040), to record the carrying charges to be returned to customers based on the Pension and OPEB forecast accrual versus actual cash payment differential variance tracking account balance. Hydro One Distribution seeks to continue this account on the same basis as currently described in Section 2.5 above.

6.15 DISTRIBUTION GENERATION – PROVINCIAL – OTHER COSTS DEFERRAL ACCOUNT (ACCOUNT 1533)

Hydro One Distribution proposes to continue this account to record funding relating to renewable distributed generation connection investments, as Hydro One continues to incur costs eligible for direct benefit treatment in accordance with Ontario Regulation 330/09.

6.16 PENSION COST DIFFERENTIAL VARIANCE ACCOUNT (ACCOUNT 2405)

Consistent with Hydro One Transmission, Hydro One Distribution proposes to continue this account to record the difference between the OM&A portion of pension cost estimates based on actuarial assessments used for this Application and the actual OM&A portion of pension contributions made in respect of Hydro One Distribution as part of 2028-2032 distribution revenue requirement. This account has been approved for continuance since 2012 and Hydro One has consistently been permitted to recover pension costs through rates. This account ensures that customers receive the benefit of any shortfall in actual

pension contributions made, and enables Hydro One to recover pension contributions made in excess of the forecasts provided.

6.17 DISTRIBUTION CONNECTION COST AGREEMENT (CCA) VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to continue the existing Distribution CCA Variance Account to track the impacts on the Distribution revenue requirement of capital contribution true-ups paid by Hydro One Distribution to Hydro One Transmission and the capital contributions collected by Hydro One Distribution from its embedded distributors and large customers. The requirement for this Distribution CCA Variance Account was triggered by the amendments to the DSC in 2018 that extended economic evaluations for Transmission connections and upgrades to large users and embedded distributors. The account is intended to function in a similar manner as the Transmission CCRA Variance Account that was initially approved in EB-2019-0082.

The variance account continues to ensure that neither Hydro One Distribution nor its customers are harmed or inappropriately benefit from these regulatory calculations and to track the revenue requirement impacts of actual capital contributions received or rebates paid as a result of performing load true ups, including the one-time tax impacts.

Consistent with the approvals in EB-2021-0110, the variance account will track the revenue requirement impacts of actual capital contributions received or rebates paid as a result of performing load true ups, including the one-time tax impacts. For example, a capital contribution from a large customer following a true up would result in the variance account including a regulatory asset from the one-time tax paid by Hydro One on the contribution as well as an annual regulatory liability to rate payers to reflect that the revenue requirement is lower due to the reduced rate base (impacting cost of capital, depreciation and tax gross-up on equity return) until the next rate application to the OEB.

Hydro One Distribution has not included a forecast of true up payments in its Application as it does not have the information necessary to create this forecast nor the ability to acquire this information.

6.18 PENSION AND OPEB FORECAST ACCRUAL VERSUS ACTUAL CASH PAYMENT DIFFERENTIAL VARIANCE TRACKING ACCOUNT (ACCOUNT 1522)

Consistent with Hydro One Transmission, Hydro One Distribution proposes to continue this account in accordance with the OEB's Report on the Regulatory Treatment of Pension and OPEB Costs (EB-2015-0040), to track the difference between the forecasted accrual amount in rates and actual cash payment(s) made. Hydro One Distribution seeks to continue this account on the same basis as currently described in Section 2.9 above.

6.19 ADVANCED METERING INFRASTRUCTURE (AMI) 2.0 VARIANCE ACCOUNT (ACCOUNT 2405)

Hydro One Distribution proposes continuation of this account, which was first established in the EB-2021-0110 application, to ensure that any material differences between the forecast and actual in-service additions associated with the AMI 2.0 program continue to be tracked and captured for future disposition. As the AMI 2.0 deployment has experienced schedule changes and its completion now extends into the term of this Application, the account remains necessary to provide appropriate ratepayer protection and regulatory oversight until the project is completed.

6.20 CLEAN ENERGY TAX CREDIT DEFERRAL ACCOUNT – DISTRIBUTION (ACCOUNT 2405)

Consistent with Hydro One Transmission, this account is requested for continuance as described in Section 2.13 above.

6.21 TAX RATE CHANGES VARIANCE ACCOUNT (ACCOUNT 1592)

Consistent with Hydro One Transmission, Hydro One Distribution will continue to use this account to track the revenue requirement impact of legislative or regulatory changes to

tax rates or rules compared to costs approved by the OEB as part of 2028-2032 distribution rates. As the revenue requirement includes taxes, this account will also capture any applicable tax gross-up. This account was established by the OEB for utilities as per the Accounting Procedures Handbook.

6.22 ELECTRICITY DEMAND-SIDE MANAGEMENT (EDSM) VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to continue the eDSM variance accounts to record differences between forecast and actual costs, revenues, incentives, and other program-related amounts associated with any future OEB-approved electricity demand-side management (eDSM) initiatives. Actual program results, customer participation, and verification activities may occur after rates are established, creating timing and cost recovery differences.

7.0 REQUESTS FOR MODIFIED DISTRIBUTION REGULATORY ACCOUNTS

7.1 EXTERNALLY DRIVEN DISTRIBUTION PROJECTS VARIANCE ACCOUNT (ACCOUNT 1508) – MODIFICATION

In Hydro One Distribution's rebasing application for the 2023-2027 rate term (EB-2021-0110), the Externally Driven Distribution Projects Variance Account was approved to record the revenue requirement impact including tax, if any, of variances between overspending or underspending relative to Hydro One's distribution capital investment plan which underlies the proposed revenue requirement for the 2023-2027 rate period, where such overspending or underspending is for work related to:

i. Joint-Use and Relocations (D-SA-01);
ii. Variances in relation to Customer Demand Distributed Energy Resource (DER) (D-SA-03) or DER connections, but only where triggered by specific IESO procurement initiatives

As a consequence of being subject to externally driven capital needs to connect variable DER volumes, upgrade connection assets to accommodate increased customer demand

resulting from public policy drivers, or to address the province's investments in infrastructure in response to electrification or decarbonization, the pacing and level of distribution capital expenditure can unexpectedly change and materially deviate from the forecasted levels reflected in the investment plans underlying this Application.

When faced with increased distribution investment needs because of external drivers, Hydro One has chosen to redirect spending for customer connections over the 2023-2027 period away from other priority areas, such as planned investments in System Renewal, System Service and General Plant. To the extent it continues to redirect expenditures away from these other areas of planned investments, Hydro One faces the operational risks associated with not being able to proceed with the planned work.

As a result, for the 2028-2032 rate term, Hydro One Distribution requests a modification to expand the scope of this account to include:

i. All load connections and upgrades in D-SA-02, excluding service cancellations;
ii. All DER connections in D-SA-03 to mitigate the need to redirect existing funding included in rates to address the expectation and uncertainty arising from increases in DER volumes that are third party driven;
iii. Any work required on the Distribution system because of an externally driven Hydro One Transmission project; and
iv. Asset removals costs associated with externally driven work.

With respect to (i) concerning D-SA-02, new load connections are subject to multiple risks related to uncertainty arising from the following factors:

- Pace of electrification/decarbonization (mainly impacting service upgrade volume) is uncertain, dependent on government incentives/policy, oil/gas prices, technological change, competition, and consumer sentiment;
- Pace of housing construction and housing starts has been highly volatile (as seen in historic volumes) and subject to significant economic forces (such as interest rates, employment) as well as government action (including but not limited to

reduced immigration targets which depressed the housing market vs legislation attempting to increase housing supply);

- Large expansion projects can also be impacted by general economic trends and conditions which are currently highly uncertain (e.g. tariffs, Canada-United States-Mexico Agreement (CUSMA), etc); and,
- Uncertain inflationary environment.

Any variances in D-SA-02 are expected to result from changes in demand, economic environment or consumer behaviour that are driven by public policy drivers such as housing developments, as defined under *Bill 23 (Building Homes Faster Act)*.

With respect to (ii) concerning D-SA-03, the expanded account scope would mitigate the need to redirect existing resources to address uncertainty arising from unforecasted demand, predicted increases in DER volumes that are third party driven and increasing complexity of DER connections that are out of Hydro One's control. Hydro One Distribution could be required to respond to enable increasing DER connections, new DER procurement programs or assume a new or expanded role in the deployment of coordinated infrastructure solutions to facilitate electrification, transportation or other policy objectives. Additionally, objectives related to decarbonization and electrification may result in increased adoption of electric vehicle or fuel switching, which are likely to drive changes to forecasts for service upgrades.

While Hydro One makes significant efforts to forecast reasonable expenditures, as discussed above, the pacing and level of expenditures related to externally driven connections work can significantly deviate from the levels forecasted in the Application. This proposed modification will ensure that Hydro One is able to serve, to provide non-discriminatory access, and to respond to directives and other obligations that may be imposed on the Company.

With respect to (iii) concerning the work required on the distribution system that is driven by externally-driven work performed by Hydro One Transmission, these include the following examples experienced in the past:

- **Kent TS M24 Relocation**: The relocation of the Kent TS M24 feeder was triggered by the construction of the Longwood to Lakeshore 500kV transmission line. This project is currently in execution. This project represents a significant portion of spend under DSP Section 3.11, D-SR-10 within the current rate period.
- **Enfield project**: The relocation of a 22KM section on Enfield TS M4 was triggered by the construction of the New GTA East to Dobbin 230kV transmission project. This project is currently in execution to be in serviced by the end of 2026.

With respect to (iv), asset removal costs are incurred directly as a result of executing externally driven distribution projects and would not be incurred in the absence of the underlying work. Accordingly, these costs represent a necessary component of project delivery and are incorporated into the baseline of the modified Externally Driven Distribution Projects Variance Account. Asset removal costs are forecast based on historical work practices and the level of effort required to safely decommission and remove assets from service.

The account will capture variances relating to the above externally driven investments that have been included in Hydro One Distribution's investment plans. The proposed modified account would enable Hydro One, in circumstances where externally driven work is greater than forecast, to complete its capital plan without the need for material redirections to respond to unforeseeable increases in externally driven investment needs. In instances where externally driven work is lower than forecast, the account would ensure that customers do not pay for work due to external drivers that do not ultimately materialize.

The associated revenue requirement variance for the Externally Driven Distribution Projects Variance Account will be recorded in this account according to the final baselines of the investments presented in Table 11 below, as updated during the course of this proceeding.

Table 11 - Baseline for Externally Driven Distribution Projects Variance Account

$M	2028	2029	2030	2031	2032
Capital (Total)					
D-SA-01	50.7	51.7	52.8	53.8	54.9
D-SA-02	311.7	327.9	339.7	355.6	368.3
D-SA-03	9.7	9.7	9.7	10.4	10.4
Dx Work Driven by HONI Tx	0	0	0	0	0
ISA (Total)					
D-SA-01	50.7	51.7	52.8	53.8	54.9
D-SA-02	311.7	327.9	339.7	355.6	368.3
D-SA-03	6.8	9.7	9.7	10.4	10.4
Asset Removals (Total)					
D-SA-01	6.9	7.1	7.2	7.3	7.5
D-SA-02	17.5	18.7	19.7	21.1	22.2
D-SA-03	0.0	0.0	0.0	0.0	0.0

The modified Draft Accounting Order for the Externally Driven Distribution Projects Variance Account is provided in Attachment 10 to this exhibit.

7.2 DESIGNATED BROADBAND PROJECT IMPACTS VARIANCE ACCOUNT (ACCOUNT 1508) – *MODIFICATION*

At the time the Designated Broadband Project Impacts Account was established, the Ontario Regulation 410/22 required project completion by December 31, 2025. As a result of delays experienced by Internet Service Providers (ISPs) in submitting applications under the provincial broadband program, the regulation was amended effective November 1, 2025, extending the deadlines associated with Hydro One Distribution's work to support the delivery of reliable high-speed internet access across Ontario.

In light of these revised timelines, Hydro One Distribution proposes to continue the Designated Broadband Project Impacts Account and to modify its treatment from a deferral account to a variance account. The proposed variance account would record the differences between forecast and actual project-related impacts arising from designated broadband projects over the extended implementation period. This modification would

ensure that Hydro One Distribution remains financially neutral with respect to impacts resulting from the revised timelines by providing for the recovery of under-collected amounts and the return of over-collected amounts to customers. The continuation of the account will support the transparent tracking, review, and future disposition of broadband-related impacts until all eligible work associated with the program has been completed.

The associated revenue requirement variance for the Designated Broadband Project Impacts Variance Account will be recorded in this account according to the final baselines of the costs presented in Table 12, as updated during the course of this proceeding. As described in DSP Section 3.11, D-SA-05, the costs included in the investment plan are for 2028 only; however, if there are actual investments beyond 2028, the variance account remains open to record entries.

Table 12 - Designated Broadband Project Impacts Variance Account Baselines

$M	2028
ISA	278
Removals	18
OM&A	1

Please refer to DSP Section 3.11, D-SA-05 for an overview of the Broadband program.

The Draft Accounting Order for the Designated Broadband Project Impacts Variance Account is provided in Attachment 11.

7.3 DISTRIBUTION SALE OF PROPERTIES DEFERRAL ACCOUNT (ACCOUNT 2405) – MODIFICATION

Consistent with Hydro One Transmission, Hydro One Distribution proposes to modify this account to record revenue requirement and after-tax gains or losses related to land and buildings that are sold during the 2028-2032 period, but only where in connection with the purchase of new land and the purchase or construction of new buildings for purposes of consolidating or replacing the land and buildings that are sold, as further described in GSP Section 4.11, G-GP-03.

To the extent the modified account does not apply to the sale of land and/or buildings, on the basis that they are surplus to Hydro One's needs, the after-tax gains or losses will, in the normal course of business, be included in the calculation of net income and contribute to earnings that, if the ESM threshold is triggered, will be shared with customers by operation of the ESM deferral account, consistent with the Custom IR framework.

The modified Draft Accounting Order for the Distribution Sale of Properties Deferral Account is provided in Attachment 12.

7.4 EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT – DISTRIBUTION (ACCOUNT 2435) – MODIFICATION

Similar to Hydro One Transmission, Hydro One Distribution proposes to modify this account to record amounts related to any cumulative earnings above the approved regulatory return on equity (ROE) to be shared on a 50-50 basis for all earnings that exceed 100 basis points, such that the ESM will be a five-year cumulative asymmetrical account (from 2028-2032). The asymmetrical nature of this account ensures that customers share in the benefit of any applicable over-earnings. The benefits of the cumulative, five-year calculation are discussed in section 3.5 above.

The calculation of ROE will use actual rate base as determined by the sum of the Average regulated fixed assets and working capital allowance, as set out in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's RRR reporting.

Any amount subject to sharing with customers will be grossed-up for the associated tax impact, to the extent that there are no tax losses available in the year to offset the excess earnings. Please refer to the illustrative example in section 3.5 above, which shows the calculation under the proposed cumulative asymmetrical ESM deferral account.

The modified Draft Accounting Order for the ESM Deferral Account (Distribution) is provided in Attachment 13.

8.0 REQUESTS FOR DISCONTINUANCE OF DISTRIBUTION REGULATORY ACCOUNTS

8.1 ACCOUNT 1595 (2021) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED)

Hydro One Distribution sought disposition of the residual balance in this rate rider in its application for 2026 distribution rates (EB-2025-0030). The OEB approved the disposition on a final basis; therefore, discontinuation of this account is proposed.

8.2 ACCOUNT 1595 (PRE 2024) – DISPOSITION AND RECOVERY/REFUND OF REGULATORY BALANCES (OEB APPROVED) – CHAPLEAU

Hydro One Distribution sought disposition of the residual balance in this Chapleau rate rider in its application for 2026 distribution rates (EB-2025-0030). The OEB approved the disposition on a final basis; therefore, discontinuation of this account is proposed.

8.3 OEB COST ASSESSMENT VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account, as the OEB's updated cost assessments have been reflected in this Application. Hydro One Distribution proposes that the balances attributable to 2026 and 2027, including carrying charges, remain eligible for disposition in its next rebasing application if the forecast amounts are not approved for disposition in this proceeding.

8.4 BILL IMPACT MITIGATION DEFERRAL ACCOUNT – NON-RESIDENTIAL CUSTOMERS – CHAPLEAU (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account, as Chapleau has fully integrated with Hydro One Distribution.

8.5 OPEB COST DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as the account remained open to dispose of amounts relating to 2021 and 2022 including accrued carrying charges.

8.6 ULTRA-LOW OVERNIGHT (ULO) IMPLEMENTATION COSTS DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as the investment was in-serviced by the end of 2023. Hydro One Distribution proposes that the balances attributable to 2026 and 2027, including carrying charges, remain eligible for disposition in its next rebasing application if the forecast amounts are not approved for disposition in this proceeding.

8.7 SEASONAL CLASS ELIMINATION DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as the investment was in-serviced by the end of 2023. Hydro One Distribution proposes that the balances attributable to 2026 and 2027, including carrying charges, remain eligible for disposition in its next rebasing application if the forecast amounts are not approved for disposition in this proceeding.

8.8 GETTING ONTARIO CONNECTED ACT (GOCA) VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account, as the cost for cable locates has been reflected in the Application's revenue requirement for the upcoming 2028-2032 rate term. Therefore, this account is no longer needed. Hydro One Distribution proposes that the balances attributable to 2026 and 2027, including carrying charges, remain eligible for disposition in its next rebasing application.

8.9 CAPACITY ALLOCATION DEPOSIT DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account, as historical deposits have not been material and the OEB amended the DSC on March 27, 2024 to remove the requirement for forfeited capacity allocation deposits to be retained in a deferral account for disposition by the OEB.

8.10 GREEN BUTTON INITIATIVE COSTS DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as all costs were incurred by the end of 2024.

8.11 CAPITALIZED OVERHEADS TAX VARIANCE ACCOUNT – DISTRIBUTION (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account because the account was approved to record the revenue requirement impact associated with the net incremental tax benefits arising from additional capitalized overheads deductions for the 2016-2022 period as a result of Hydro One amending its prior tax amounts. Amounts are recorded at the earlier of (i) when the tax return of a particular year is audited by the CRA and the new filing position is accepted as filed or (ii) when the taxation year becomes statute barred. This account also captures variances in the revenue requirement associated with CRA reassessments with respect to the capitalized overhead tax benefits that have been incorporated in the OEB approved revenue requirement for 2023 to 2027. While the required journal entries are currently expected to be substantially recorded by the end of 2027, additional entries may be required beyond 2027 as a result of CRA audits, reassessments, or other determinations relating to the 2023-2027 taxation years.

Similar to the Transmission Capitalized Overheads Tax Variance Account proposed for discontinuance, Hydro One Distribution requests that any additional entries required beyond 2027, including carrying charges and any amounts arising from CRA reassessments related to the 2023-2027 taxation years that are recorded after 2027, remain eligible to be brought forward for disposition in its next rebasing application.

8.12 EXTENDED HORIZONS VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account because the impact of the expansions of the horizons have been incorporated into the forecast for this Application's test year and beyond. Hydro One Distribution requests that the balances attributable to 2026 and 2027, including carrying charges, remain eligible for disposition in its next rebasing application.

8.13 ELECTRIC VEHICLE CHARGING (EVC) RATE IMPLEMENTATION COSTS DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as there are no material revenue requirement impacts from implementing the EVC rate.

8.14 RETAIL COST VARIANCE ACCOUNT – CHAPLEAU (ACCOUNTS 1518 AND 1548)

In the Decision and Order dated February 14, 2019 (EB-2015-0304), the OEB set out its expectation that "electricity distributors that currently record revenues and expenses associated with the RCVAs are expected to continue to do so until their next rebasing application. At rebasing, the balances will be disposed of and the RCVAs will be eliminated." [5] Accordingly, in this Application, Hydro One Distribution proposes discontinuance of this account.

8.15 DISTRIBUTION GENERATION – PROVINCIAL – OTHER COSTS – DEFERRAL ACCOUNT (HALDIMAND) (ACCOUNT 1533)

In EB-2023-0291, the OEB determined in its Decision and Order for Renewable Generation Connection Rate Protection Compensation Amount for Account 1533 - Haldimand rate zone, be disposed and closed at the time of its next rebasing. As such, discontinuance of this account is proposed.

8.16 SMART METER OM&A VARIANCE ACCOUNT – CHAPLEAU (ACCOUNT 1508)

This variance account was transferred from Chapleau to Hydro One Distribution as part of integration activities. Hydro One Distribution does not have sufficient supporting documentation for this account; therefore, Hydro One Distribution proposes discontinuance of this account.

[5] EB-2015-0304, Decision and Order, section 3.2, February 14, 2019

8.17 ACCOUNTING CHANGES UNDER CANADIAN GAAP – CHAPLEAU (ACCOUNT 1576)

This was a pre-existing account created before Hydro One's acquisition of Chapleau. Hydro One Distribution proposes to discontinue this account as the balance has been requested for final disposition in Exhibit G-01-01.

8.18 POLE ATTACHMENT REVENUE VARIANCE ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as the account was meant to remain open until the effective date of the distributor's next rebasing application.

8.19 POLE ATTACHMENT REVENUE VARIANCE ACCOUNT – CHAPLEAU (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as the account was meant to remain open until the effective date of the distributor's next rebasing application.

8.20 DISTRIBUTION SYSTEM ENERGY STORAGE – RESIDENTIAL DEFERRAL ACCOUNT (ACCOUNT 2405)

This account was established upon settlement of the EB-2021-0110 application. In this account, the following was settled: Hydro One may procure the services of a third-party aggregator in respect of its residential battery storage units associated with the residential energy storage investments in D-SS-04. To the extent these third-party units are used to participate in IESO markets and if such participation generates net revenues to the benefit of Hydro One, Hydro One will record the net revenue in the Residential Deferral Account, if any.

To date, there have been no entries made into this account. Hydro One's owned model has been more cost effective than procuring the services of a third-party aggregator in respect of its residential battery storage units associated with residential energy storage.[6] No future entries are expected to be recorded in the account. Therefore, this account is proposed for discontinuance.

[6] Please see Exhibit DSP Section 03.11, D-SS-04 Attachment 2 for further details.

8.21 DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) ASYMMETRICAL CUMULATIVE VARIANCE ACCOUNT – DISTRIBUTION (ACCOUNT 2405)

In EB-2021-0110, the OEB approved the establishment of the Depreciation Expense (Asset Removal Costs) Asymmetrical Cumulative Variance Account for Hydro One Distribution on a basis similar to that approved for Hydro One Transmission. The account was designed to protect customers by recording the excess of forecast asset removal costs included in rates over actual asset removal costs incurred. Under the approved construct, only amounts favourable to customers would be recorded in the account for future disposition.

Since its implementation, Hydro One Distribution has not recorded any entries in the account. During the 2023 to 2025 period, actual asset removal costs exceeded forecast amounts, primarily due to increased storm activity and the associated asset replacement and restoration work required to maintain system reliability and public safety. These events have increased both the frequency and cost of asset removals across the distribution system.

Hydro One Distribution's experience over the current rate period demonstrates that actual asset removals were materially consistent, if not beyond the level of asset removals included in the forecast. The circumstances under which the account would record a balance are unlikely to occur. Asset removal costs are largely driven by factors outside of Hydro One Distribution's control, including severe weather events, emergency response requirements, work execution timing, and evolving operating conditions. Recent trends indicate upward pressure on these costs, which suggests that actual asset removal costs are likely to be higher than the forecast amounts embedded in rates on a sustained basis. As a result, the account is no longer serving its intended purpose. The absence of any recorded balances since inception indicates that the account has not been required to protect customers from over-collection of asset removal costs. Therefore, Hydro One Distribution is proposing to discontinue this account.

8.22 HISTORICAL LAND RIGHTS DEFERRAL ACCOUNT – CHAPLEAU (ACCOUNT 1508)

As Chapleau fully integrated with Hydro One Distribution in 2025 and no costs were recorded into the account, Hydro One Distribution is proposing discontinuance of this account.

8.23 ACCOUNTING POLICY CHANGES ACCOUNT – CHAPLEAU (ACCOUNT 1508)

As Chapleau fully integrated with Hydro One Distribution in 2025, this account is no longer required; therefore, Hydro One Distribution is proposing discontinuance of this account.

8.24 LOCAL INITIATIVES PROGRAM (LIP) DEFERRAL ACCOUNT (ACCOUNT 1508)

Hydro One Distribution proposes to discontinue this account as the OEB has discontinued the LIP deferral account, which previously enabled distributors to track LIP partnership costs and seek recovery of these costs through distribution rates. Any distributor costs associated with supporting the LIP should now be funded from the Global Adjustment funding in the 2025-2036 eDSM Framework that funds distributor eDSM activities that raise awareness of and increase uptake of IESO-delivered, co-delivered or co-ordinated eDSM programs.[7]

8.25 DISTRIBUTION SYSTEM ENERGY STORAGE – GRID SCALE THIRD PARTY ACCOUNTING TREATMENT VARIANCE ACCOUNT (ACCOUNT 2405)

This account was established upon settlement of the EB-2021-0110 application. The account records the difference in the revenue requirement impact between Hydro One's current accounting treatment of the forecast costs as set out in the D-SS-04 for a grid scale energy storage project, and any alternative accounting treatment informed by any future OEB guidance pertaining to cost recovery for innovative solutions, if Hydro One enters into an arrangement with a third-party to provide reliability services.

There have been no entries made into this account. Hydro One Distribution proposes discontinuance of this account as utility ownership is the preferred approach for both grid-

[7] Non-Wires Solutions Guidelines for Electricity Distributors, July 7, 2026

scale and residential Battery Energy Storage System (BESS) projects, see DSP Section 3.11, D-SS-04, Attachment 2 for details.

9.0 REQUESTS FOR NEW DISTRIBUTION REGULATORY ACCOUNTS

9.1 CYBER SECURITY VARIANCE ACCOUNT (DISTRIBUTION) (ACCOUNT 1508) – *NEW*

For the 2028-2032 rate term, Hydro One Distribution requests the establishment of a new Distribution Cyber Security Variance Account to record the revenue requirement impacts associated with incremental net new capital and prepaid distribution investments to address material new or amended cybersecurity compliance obligations arising from government, regulatory, legislative, or industry-mandated requirements that are outside the current plan and not otherwise captured through the Transmission Cyber Security Variance Account.

Cybersecurity requirements applicable to critical infrastructure utilities continue to evolve in scope, complexity, and timing. As such, there may be the following unplanned obligations that include:

- new or amended provincial or federal cybersecurity legislation, regulations, standards, or directives applicable to distribution operations;
- new mandatory cybersecurity, privacy, critical infrastructure protection, or incident reporting obligations imposed by government authorities, regulators, or industry bodies; or
- changes in mandated implementation timelines that require accelerated deployment of cybersecurity controls or technologies.

The scope and timing of future requirements are uncertain and cannot be reliably forecast over the five-year rate period. In certain circumstances, a single compliance-driven initiative – implementation of new provincial or federal cybersecurity requirements, mandatory critical infrastructure reporting obligations, government-mandated cyber resilience controls, supply chain security requirements, privacy or information protection

requirements, or other industry-mandated cybersecurity obligations applicable to Distribution operations – may exceed Hydro One Distribution's materiality threshold (currently $1M). Given these expenditures are mandatory investments, absent a variance account mechanism, Hydro One will be required to redirect funding included in rates to address mandatory investments for government, regulatory, legislative, or industry-mandated requirements.

The proposed account is intended to operate as a symmetrical variance account. Amounts recorded will reflect variances between forecasted baseline cybersecurity capital in-serviced expenditures embedded in rate base and the actual incremental capital expenditures incurred to satisfy new or changed compliance requirements. Baseline cybersecurity capital investments included in this Application are reflected in approved investment plans and associated GSP Section 4.11, G-GP-11 (Cybersecurity and Digital Protection) and G-GP-30 (Enterprise Security Platforms and Controls). These baseline investments address known regulatory requirements and compliance obligations as of the time of filing. Underspending relative to the baseline would be returned to customers, while incremental prudently incurred costs would be subject to future recovery, consistent with OEB policy. The account would attract carrying charges at the OEB prescribed rate.

Table 13 provides the forecasted amount for each year of the 2028 to 2032 rate term. Baselines may be updated as required during the course of this Application:

Table 13 - Baseline for Distribution Cyber Security Variance Account

	Capital ($M)					
G-GP-11	**2028**	**2029**	**2030**	**2031**	**2032**	**Total**
ISA (Total)	1.9	3.7	3.5	1.4	1.2	11.7
	Prepaid ($M)					
G-GP-30*	**2028**	**2029**	**2030**	**2031**	**2032**	**Total**
Prepaid (Total)	6.8	5.1	4.8	3.9	4.0	24.6

*Totals presented reflect the annual forecasted spend for prepaid Distribution cybersecurity investments. The combined (Transmission and Distribution) forecast can be viewed in Table 2 of GSP Section 4.11, G-GP-30.

With respect to the OEB's eligibility criteria for the establishment of new deferral and variance accounts:

- Causation: The costs proposed to be recorded in the Distribution Cyber Security Variance Account arise from external regulatory requirements and compliance obligations that occur after rates are set and are therefore outside the base upon which the rates proposed in this Application are derived.
- Materiality: Given the potential scale, complexity, and mandatory nature of cybersecurity compliance initiatives, Hydro One expects that amounts recorded in the account will exceed the OEB's materiality threshold over the term of the Application.
- Prudence: Cybersecurity compliance investments subject to this account are non-discretionary. Hydro One is required to comply with applicable regulatory standards and related directives, and deferral of such investments would expose the Company to compliance risk, potential enforcement action, and increased operational and reliability risk. The proposed account provides a prudent mechanism to ensure compliance obligations can be addressed in a timely manner without undermining the execution of the OEB-approved capital plan.

The Draft Accounting Order for the Distribution Cyber Security Variance Account is provided in Attachment 14.

9.2 CHANGE OF LAWS DEFERRAL ACCOUNT (DISTRIBUTION) (ACCOUNT 1508) – *NEW*

Hydro One Distribution requests the establishment of a new Change of Laws Deferral Account for its Distribution business, similar to the manner in which the account is sought for Hydro One Transmission (see section 5.2). Changes of laws are outside of the Company's control and can significantly alter its compliance requirements and have an impact on its forecast costs and revenues. This is because Hydro One's forecast costs and forecast revenues underlying its proposed Distribution revenue requirement do not reflect the impacts of potential changes of laws, such as those that have not yet been published on a final basis.

Similar examples identified in the Transmission Change of Laws Deferral Account apply to Distribution. Please refer to section 5.2 above for details.

With respect to the OEB's eligibility criteria:

- Causation: The costs proposed to be recorded in the Change of Laws Deferral Account arise from external legal and regulatory requirements and/or obligations that occur after rates are set and are therefore clearly outside the base upon which the rates proposed in this Application are derived.
- Materiality: Given the potential uncertainty and mandatory nature of the legal and regulatory law requirements, Hydro One expects that amounts recorded in the account will exceed the OEB's materiality threshold for the Distribution business of $1M over the term of the Application.
- Prudence: Hydro One is required to comply with applicable legal and regulatory requirements and related directives. Thus, such deferral of such investments would expose the Company to compliance risk, potential enforcement action, and increased operational and reliability risk. The proposed account provides a prudent mechanism to ensure that any upcoming and unforeseen legal and regulatory laws and requirements can be addressed in a timely manner without undermining the execution of the OEB-approved capital plan.

The Draft Accounting Order for the Change of Laws Deferral Account (for Distribution) is provided in Attachment 15.

9.3 DTS OPERATIONS VARIANCE ACCOUNT (DISTRIBUTION) (ACCOUNT 1508) – *NEW*

For the 2028-2032 rate term, Hydro One Distribution requests the establishment of a new DTS Operations Variance Account to record the difference between: (i) actual Third-Party Contracts costs incurred during the 2028 – 2032 Custom IR term; and (ii) the level of funding for those costs included in base rates. The account would apply to costs associated with software licenses, software maintenance and subscription fees, cloud-based services, telecommunications services, cybersecurity tools, license fees, hardware maintenance, and other vendor-supported technologies that support Hydro One's DTS operations, collectively referred to as Third-Party Contracts costs.

As discussed in Exhibit E-04-04, section 1.1.1, Hydro One's operating environment has evolved into a digitally enabled utility that increasingly depends on technology to safely and reliably operate the electricity system, protect critical infrastructure, manage outages, support field operations, maintain cybersecurity, and provide customer services. The increasing number of connected customers, grid devices, field technologies, data sources, and digital platforms has materially expanded the technology footprint required to operate the business. This has resulted in growing reliance on vendor-supported technology solutions and corresponding Third-Party Contracts costs.

Hydro One developed a forecast for the Third-Party Contracts OM&A costs based on Hydro One's existing contractual commitments, expected vendor pricing changes, projected cloud and software subscription requirements, and the anticipated sustainment costs associated with technology solutions currently in service or planned to enter service during the Custom IR term.

Table 14 - 2028-2032 Forecast for Third-Party Contracts OM&A Costs allocated to Distribution

Description	2028	2029	2030	2031	2032
	Forecast	Forecast	Forecast	Forecast	Forecast
Third-Party Contracts Forecast ($M)	79.1	90.8	96.7	103.6	109.1
Growth Rate		15%	6%	7%	5%

Hydro One forecasts $79.1M of Third-Party Contracts OM&A costs allocated to Distribution in the 2028 test year, increasing to $109.1M by 2032, or by an average 8% per year. Third-Party Contracts OM&A costs are forecast to increase at a materially higher rate than the escalation rate of OM&A provided by the Custom IR framework (see Exhibit A-04-03). The proposed DTS Operations OM&A Variance Account is intended to address this funding variance. The account would attract carrying charges at the OEB prescribed rate.

With respect to the OEB's eligibility criteria for the establishment of this new variance account:

- Causation: The proposed account satisfies the causation criterion because the forecast amounts to be recorded in the account arise from cost pressures that are outside the base upon which rates are derived. Hydro One's proposed 2028 revenue requirement establishes a baseline level of Third-Party Contracts expenditures for the test year. Thereafter, funding is set through the Custom IR framework. However, Hydro One forecasts that Third-Party Contracts OM&A costs will increase at a materially higher rate than the escalation of OM&A provided by the Custom IR framework due to factors such as vendor pricing changes, evolving software licensing models, increasing adoption of cloud-based services, growing cybersecurity requirements, expanding telecommunications needs, and increasing data volumes.

- Materiality: The proposed account satisfies the materiality criterion because the forecast annual variances are expected to exceed the OEB-defined materiality threshold (currently $1M) and have a significant influence on Hydro One's

operations. These forecast variances are material in nature and cannot reasonably be managed through normal productivity improvements or routine budget reallocations without adversely affecting Hydro One's ability to sustain critical technology services. Third-Party Contracts support the systems required to operate and secure Ontario's electricity system, including customer service platforms, outage management systems, operational technologies, cybersecurity capabilities, telecommunications infrastructure, and other essential digital services. Absent the proposed account, Hydro One would be required to offset these increasing costs through reductions in other operational activities, increasing risks to reliability, cybersecurity, operational resilience, and customer service. As such, the forecast amounts have a significant influence on Hydro One's operations and satisfy the materiality criterion.

- Prudence: The proposed account satisfies the prudence criterion because the forecast costs are based on a reasonable plan to sustain, operate, maintain, secure, recover, and support the technology environment required to operate an increasingly digital electricity utility.

The forecast growth in Third-Party Contracts does not reflect a discretionary expansion of technology services. Rather, it reflects the cumulative impact of an increasingly digital operating environment, growing cybersecurity and physical security requirements, higher levels of vendor-supported technology, expanding data and telecommunications requirements, and the ongoing sustainment needs associated with a significantly larger technology footprint. Hydro One's forecasted increase in DTS OM&A reflects the level of investment required to support technology assets and services that are already in service, currently being deployed, or otherwise required to maintain reliable and secure utility operations. Historical funding constraints were managed through prioritization, deferral, and risk acceptance; however, Hydro One has reached a point where continued deferral is no longer sustainable.

The proposed account is a targeted mechanism intended to address material variances arising from external technology cost pressures that exceed the funding available through base rates. At the time of disposition, Hydro One will be required to demonstrate that costs recorded in the account were prudently incurred and represent cost-effective solutions for customers. Hydro One will continue to pursue cost mitigation measures to manage these costs wherever practical. For these reasons, the forecast costs reflect prudent and reasonable expenditures that are necessary to support Hydro One's operational, security, and reliability obligations and satisfy the prudence criterion.

The Draft Accounting Order for the Distribution DTS Operations Variance Account is provided in Attachment 16.

9.4 NON-WIRES SOLUTION (NWS) IMPLEMENTATION COST VARIANCE ACCOUNT (ACCOUNT 1508) – *NEW*

Hydro One proposes the establishment of a Non-Wires Solutions (NWS) Implementation Cost Variance Account to capture:

i. The revenue requirement impact throughout the 2028-2032 rate term associated with: (a) replacing a planned capital (wires) project with NWS; (b) converting a planned NWS project to a capital (wires) project, if warranted; and (c) new NWS projects that arise;
ii. Any incremental net OM&A expenditures incurred over the 2028-2032 rate term required to implement and operate NWS to offset capital projects; and,
iii. Margin on Payments (MoP) incentives associated with payments made to the third-party DER providers during the 2028-2032 rate term for the services identified in this Application. As part of this request, Hydro One seeks OEB approval for the MoP incentives to be tracked in this account.

This account is proposed to address the uncertainty associated with NWS planning and implementation over the 2028-2032 planning period. As described in DSP Section 3.6, subsection 3.6.5, and DSP Section 3.11, D-SS-01, Hydro One has developed an NWS planning process that has been applied to the investments in the 2028-2032 term. Given

the nascency of NWS, Hydro One will continue to refine and update the process based on learnings. Hydro One's NWS program encompasses 16 projects where NWS are planned to defer capital expenditures that would otherwise be required under traditional wires solutions. These 16 projects, in addition to one project being deferred from the current 2023-2027 rate period, which were determined to be eligible for a benefit-cost analysis (BCA), are identified in Tables 16 to 18 below and form the baseline for the proposed variance account. The nascent state of NWS deployment presents some inherent uncertainty. Additionally, a number of external factors could affect NWS deployment over the rate term, such as market demand, public policy, and technology changes. As a result, resource acquisition needs and costs could therefore be higher or lower than forecast, triggering expenditures or underspend by Hydro One due to factors outside of its control.

With respect to (i) above, this sub-account is intended to capture the revenue requirement impact through the 2028-2032 term associated with (a) replacing a planned capital (wires) project with NWS; (b) replacing a planned NWS project with a capital (wires) project; and (c) new NWS projects that arise. These illustrative scenarios are explained as follows:

Scenario 1: A capital project in the investment plan is replaced with a NWS.

- A station transformer upgrade is included in the investment plan to address forecast load growth at a particular location. Load growth materializes more slowly than planned and an NWS is identified that can address the system need at a lower cost. A decision is made to proceed with the NWS instead of wires solution.

Scenario 2: System needs exceed NWS deferral capability for one of the planned NWS projects listed in Table 12, resulting in the need to revert to a wires project.

- A NWS is being procured to defer a station transformer upgrade. However, the growth rate now exceeds what was originally contemplated and the station has exceeded its loading limit and is projected to continue to increase to an unacceptable level. As a result, the NWS can no longer defer the transformer upgrade, and the upgrade must proceed as soon as possible.

Scenario 3: A new system need arises during the rate term and is addressed with a NWS.

- A new system need is identified during the rate term. A NWS is determined to be a viable solution to defer the capital investment. The resulting NWS costs are incremental to the amounts contemplated at the time of the filing.

With respect to (ii) above, this sub-account is intended to include net incremental costs incurred to implement and operate various NWS programs, as detailed in Exhibit E-03-02, section 2.5.1, to support the deferral of capital investments. Within the scope of Hydro One's NWS program, the incremental OM&A expenditure to be incurred over the term (net of any third-party government funding) are anticipated to include:

- Acquisition costs (incentive payments) for customers to enroll DER devices;
- Ongoing (annual) OEM fees to retain these devices for usage;
- Flexibility payments to Commercial & Industrial (C&I) customers; and,
- Any additional OM&A expenditure related to non-wires implementation that are not identified above, but may arise over the 2028-2032 rate term related to third party owned DERs.

With respect to (iii) above, this sub-account is intended to record any Margin on Payment (MoP) incentive amounts arising from the deployment of third-party-owned DERs as a non-wires solution. Hydro One seeks approval for the MoP incentive to be established in accordance with section 11.3 of the Distribution System Code (DSC). The sub-account will record 25% of actual eligible payments funded through distribution rates and made to third-party DER providers during the 2028-2032 rate term.

Hydro One's forecast payments to NWS program participants and associated MoP incentives over the rate term are provided in Table 15.

Table 15 - Forecast Payments to NWS program participants ($M)

	2028	2029	2030	2031	2032	Total
Payments	0.91	0.96	0.98	0.69	0.37	3.91
Margin on Payments (25%)	0.23	0.24	0.24	0.17	0.09	0.98

Hydro One has completed a BCA for the NWS program in accordance with the OEB's BCA Framework, as presented in DSP Section 3.6, Attachments 04.03 and 04.04. The NPV of the quantitative Distribution Service Test (DST)[8] net benefit is $8.3M. The NPV of payments made to third party DER providers and customers for the entire NWS program, which extends beyond the 2028-2032 period to support the proposed capital deferrals, is $5.2M. The forecast MoP has a NPV of $1.3M, representing 15.8% of the forecast quantitative DST benefits and therefore not exceeding the 50% threshold. Accordingly, the proposed MoP satisfies the eligibility criteria set out in section 11.3.3 of the DSC.

Hydro One proposes that this account include the capacity to record MoP-related amounts so that, if the OEB approves a MoP incentive during the 2028-2032 rate term, the associated variances can be captured within the existing account framework. The MoP approval is proposed to apply to the qualifying third-party DERs used under the NWS Program during the 2028-2032 incentive term, and not be limited to the specific projects identified at the time of filing. As discussed above, projects may be added, removed or replaced as the NWS is implemented, provided that it continues to satisfy the eligibility criteria in section 11.3.3 of the DSC. Hydro One anticipates seeking disposition of any recorded amounts at the time of its subsequent rebasing application.

The proposed account will operate as a symmetrical variance account over the five-year rate term. Variances will accumulate over the five-year term with a single disposition, on a cumulative basis, at the end of the rate term. This cumulative approach permits Hydro One to manage in-year variances in load growth, NWS achievability, and the pacing of the project execution over the five-year period, while ensuring that customers receive the benefit of any net underspend and that Hydro One may recover any net overspend.

[8] DST is one of two cost-effectiveness tests specified in the Benefit Cost Analysis Framework in Section 5.4.2.2 of the OEB Filing Requirements for Electricity Distribution Rate Applications – 2026 Edition for 2027 Rate Applications. The DST perspective seeks to optimize the long-term net distribution service benefits for the distributor's customers, as a group. The impact categories to be considered for the DST are specified in Table 2 of this Section.

Baselines for NWS Implementation Cost Variance Account

For the capital component of the proposed account, the baseline is zero. This is because the capital costs associated with the 16 deferred projects identified in DSP Section 3.11, D-SS-01, Appendix D have not been included in the investment plan. The investment plan assumes these projects will be deferred through NWS rather than proceeding as wires solutions. There is also one project, "Kashabowie HVDS", that was planned for in-servicing in 2028 and has been identified for deferral to 2031. The baseline capital for this project, as shown in Table 17, follows the list of proposed deferrals for the 2028-2032 period, shown in Table 16.

Table 16 - Capital projects deferred beyond the 2028-2032 Investment Plan ($M)

Capital Needs Not included in plan	Project	ISA Investment Deferred				
		2028	2029	2030	2031	2032
Birr DS Load Growth	NWS.01	0.0	0.0	5.2	0.0	0.0
Carleton Place Francis DS Load Growth	NWS.02	0.0	0.0	0.0	0.0	7.1
Chesterville M1 Load Growth	NWS.03	0.0	0.0	0.0	11.8	0.0
New Bragg DS and feeders	NWS.04	0.0	0.0	0.0	7.0	0.0
Fergusonvale DS Transformer Upgrade	NWS.05	0.0	0.0	4.0	0.0	0.0
Dixons Corners DS	NWS.06	0.0	0.0	0.0	4.0	0.0
Horsey Bay DS T2 Load Growth	NWS.07	0.0	0.0	0.0	2.0	0.0
Kingsville Pulford DS Load Growth	NWS.08	0.0	0.0	4.8	0.0	0.0
Lanark DS Load Growth	NWS.09	0.0	0.0	0.0	6.9	0.0
Smithfield DS Load Growth	NWS.10	0.0	0.0	4.0	0.0	0.0
Southwold DS Load Growth	NWS.11	0.0	0.0	0.0	4.8	0.0
Violet Hill DS Load Growth	NWS.12	0.0	0.0	4.0	0.0	0.0
Warwick DS Load Growth	NWS.13	0.0	0.0	5.6	0.0	0.0
West Lorne DS Load Growth	NWS.14	0.0	0.0	5.2	0.0	0.0
Whitefish DS Upgrade - Load Growth	NWS.15	0.0	0.0	0.0	12.1	0.0
Woodland Beach DS Transformer Upgrade	NWS.16	0.0	0.0	4.0	0.0	0.0
TOTAL		**0.0**	**0.0**	**36.6**	**48.7**	**7.1**

Table 17 - Existing Capital Projects deferred by NWS ($M)

Existing Capital Needs	Project	ISA Investment Deferred				
		2028	2029	2030	2031	2032
Kashabowie HVDS	SS-01.102	16.8	0	0	0	0

For the OM&A component of the proposed account, the baseline is the forecast OM&A costs embedded in the investment plan that are attributable to deferring the 16 NWS-eligible projects identified in Table 16, as well as the OM&A associated with the deferral of Kashabowie HVDS shown in Table 17. The actual OM&A expenditures incurred to implement NWS for these projects, shown in Table 18, will be measured against this baseline, and the variance will be recorded in the account. OM&A costs for any net-new NWS projects, in addition to these 17 NWS-eligible projects, will also be recorded in the proposed account.

Although Hydro One has estimated potential MoP amounts for the 2028-2032 period, it proposes a baseline of $0 for NWS Margin on Payments, as shown in Table 18. This approach avoids any upfront recovery of MoP through rates while preserving the ability to track actual eligible MoP amounts incurred during the rate term. Any resulting variance will be recorded in the account for future review and disposition.

Table 18 - Baseline for Annual OM&A Impact ($M)[9]

Annual OM&A Impact	OM&A per Year ($M)				
	2028	2029	2030	2031	2032
All NWS	1.1	1.3	1.5	1.3	1.1
NWS Margin on Payments	0.0	0.0	0.0	0.0	0.0

Consideration of the Generic Non-Wires Solutions Variance Account (NWSVA)

On September 3, 2026, the OEB issued a Final Rate Order in EB-2026-0196 establishing a generic Non-Wires Solutions Variance Account (NWSVA), effective January 1, 2027. The generic NWSVA is a Group 2 variance account that permits distributors to record variances between the revenue requirements of actual eligible NWS project costs (including OM&A costs, capital-related costs, and any OEB-approved incentive mechanism for using third-party non-wires solutions) and the amounts recovered through OEB-approved rates. The OEB has directed that where a distributor seeks a variance

[9] These are net costs reflecting any customer, government, municipal, or crown corporation contributions that are subtracted from gross expenditures, if any.

account for a NWS project, it should explain whether the generic NWSVA can be used as the appropriate mechanism rather than proposing a separate account.

Hydro One has considered whether the generic NWSVA can serve as the appropriate mechanism for its NWS program and has concluded that it requires a custom NWS account, for two main reasons.

First, the generic NWSVA does not contemplate the interaction between traditional capital investments and NWS alternatives. Hydro One's NWS program requires the ability to record variances arising from that interaction — specifically, circumstances in which an NWS solution is no longer viable, necessitating a capital investment not contemplated in the investment plan, and circumstances in which a planned capital project can be deferred or displaced by an NWS solution. The proposed account would record the capital-related revenue requirement associated with any such reversion to a wires solution and would credit the capital-related revenue requirement of any deferred or displaced project while recording the incremental OM&A costs of implementing the replacement NWS solution.

Second, the generic NWSVA is limited to recording variances attributable to eligible costs of specific NWS projects that have been included in OEB-approved rates. Hydro One's NWS program may generate OM&A expenditures for projects not identified in the proposed rate application, as system needs may arise during the rate term that are addressed through NWS, thereby generating incremental costs that were not contemplated at the time of the Application. As such, the proposed account accommodates both the project-specific baseline derived from the 17 BCA-eligible projects (identified in Tables 16 and 17) and these expanded program expenditures within a single regulatory mechanism.

For these reasons, the generic NWSVA does not accommodate the requirements of Hydro One’s NWS program. Hydro One proposes its NWS Implementation Cost Variance Account as the appropriate mechanism.

The proposed sub-account satisfies the OEB's eligibility criteria for establishing new regulatory accounts as follows:

- Causation: The costs to be captured in the NWS Cost Implementation Variance Account meet the causation criterion because they will be clearly outside of the base upon which the rates proposed in the current Application will be derived.
- Materiality: As per the OEB's Filing Requirements, Hydro One Distribution's materiality threshold is currently $1M. The amounts to be recorded in the proposed account are expected to be material and over time and exceed the OEB-defined materiality threshold.
- Prudence: The costs to be recorded in the proposed NWS Implementation Cost Variance Account will arise from planning and investment decisions that are themselves prudent. Hydro One's decisions to pursue, continue, or revert a non-wires solution in favour of a traditional wires investment will be guided by the BCA framework and will be made on the basis of the information reasonably available at the time.
    - Where Hydro One implements a non-wires solution, the associated OM&A expenditures will be directly attributable to deferring a capital investment identified in the investment plan, or addressing a new need that arises during the plan period, and will be incurred in accordance with the BCA.
    - Where system needs exceed the deferral capability of a non-wires solution and Hydro One reverts to a wires investment, the resulting capital expenditure will reflect a necessary response to changed system conditions. The proposed account is consistent with the OEB's objective of encouraging NWS and ensures that the financial consequences of NWS outcomes are shared appropriately between customers and the utility. Without the account, there would be no mechanism to return savings from successful NWS implementation to customers, nor to address cost variances driven by factors outside of Hydro One's control.

The Draft Accounting Order for the NWS Implementation Cost Variance Account is provided in Attachment 17.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT

Hydro One Transmission proposes the continuation of the currently established Account 1508 - Other Regulatory Assets, Sub-Account “Externally Driven Transmission Projects Variance Account” subject to modifications to clarify the inclusion criteria for Externally Driven Work.

This account will record the revenue requirement impact including tax, if any, of variances between the in-service additions embedded in Hydro One’s approved revenue requirement relating to Externally Driven Work[1] and the actual in-service additions arising from Externally Driven Work during the 2028-2032 rate period.

For the purposes of this account, "Externally Driven Work" shall include mandatory transmission construction, expansion, reinforcement, modification, relocation, development or related activities undertaken by Hydro One Transmission that are required by governmental authorities, including through agencies, Crown corporations, planning authorities or similar parties, arising from:

- legislation, regulations, codes, licences, or other regulatory requirements;
- Orders in Council, Ministerial Directives or similar instruments/documents issued by governmental authorities;
- IESO Bulk System Planning recommendations where Hydro One is expected to undertake the recommended work either expressly as the identified transmitter, by virtue of the work being in relation to its existing facilities, and/or implicitly as the default transmitter;
- [IESO] Regional Planning recommendations where Hydro One is expected to undertake the related work either expressly as the identified transmitter, by virtue of the work being in relation to its existing facilities, and/or as lead transmitter in the relevant region; and

[1] The Externally Driven Work and forecast amounts are outlined in Exhibit G-01-03 Section 3.1.

- other reports, studies, assessments, letters or similar instruments issued by governmental authorities, including but not limited to the IESO.

Eligible costs include:

- preliminary engineering;
- environmental assessment and permitting activities;
- Indigenous engagement activities;
- development and planning costs;
- project design and engineering;
- construction costs, including (for greater certainty) land rights acquisition costs and equipment and materials procurement costs;
- commissioning costs; and
- prudently incurred wind-up or demobilization costs for projects that do not go into service due to circumstances beyond Hydro One's control.

As a symmetrical account, the variation in the Externally Driven Work detailed in Exhibit G-01-03 Section 3.1 relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to ratepayers and overspend to be recovered from ratepayers.

The modified account will be established as Account 1508, Other Regulatory Assets – Sub-Account “Externally Driven Transmission Projects Variance Account” effective January 1, 2028. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account “Externally Driven Transmission Projects Variance Account”
DR/CR 4110	Transmission Services Revenue

Initial entry to record the revenue requirement impact of variances between Externally Driven Work in-service additions included in the forecast and actuals.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account “Externally Driven Transmission Projects Variance Account”
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Externally Driven Transmission Projects Variance Account.

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HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT EXTERNAL SECONDARY LAND USE REVENUE VARIANCE ACCOUNT

Hydro One Transmission proposes the continuation of the currently established Account 2405 - Other Regulatory Liabilities, Sub-Account "External Secondary Land Use Revenue Variance Account," subject to the modification described below to clarify the inclusion criteria and record the difference between actual net external SLU revenues and the net revenues approved by the OEB as part of the transmission revenue requirement during the 2028-2032 period.

Hydro One proposes to modify the account in Exhibit G-01-03 Section 3.2 to include incremental cost of sales and other directly attributable costs incurred to earn external SLU revenues.

The modified account will be established as Account 2405, Other Regulatory Liabilities, Sub-Account "External Secondary Land Use Revenue Variance Account," effective January 1, 2028. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA#	Account Description
DR/CR 2405	Other Regulatory Liabilities, Sub-Account "External Secondary Land Use Revenue Variance Account – Revenue Requirement Impacts"
CR/DR 4110	Transmission Services Revenue

Initial entry to record the difference between forecast net external SLU revenues, and actual net external SLU revenues.

USofA#	Account Description
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "External Secondary Land Use Revenue Variance Account – Revenue Requirement Impacts"
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the External Secondary Land Use Revenue Variance Account.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT SALE OF PROPERTIES DEFERRAL ACCOUNT

Hydro One Transmission proposes the continuation of the currently established Account 2405 - Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account" subject to the proposed modifications described below.

The modified account in Exhibit G-01-03 Section 3.3 will record the revenue requirement impacts, including applicable taxes, and after-tax gains or losses associated with the sale of land and buildings in the General Plant Facilities and Real Estate portfolio during the 2028–2032 Custom IR term, only where such sales are undertaken in connection with the purchase of new land or the purchase or construction of new buildings for purposes of consolidating or replacing the sold properties, as further described in GSP Section 4.11 G-GP-03.

The modified account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Sale of Properties Deferral Account" effective January 1, 2028. Hydro One Transmission will record interest on the balance in the sub-accounts using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

The following outlines the proposed accounting entries for the deferral account.

USofA#	Account Description
DR/CR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"
CR/DR 4110	Transmission Services Revenue

To record the revenue requirement impact associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio.

USofA#	Account Description
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"
DR/CR 4355	Gain on Disposition of Utility and Other Property

To record the after-tax gain or losses from the sale of existing land and building in the General Plant Facilities and Real Estate portfolio.

USofA#	Account Description
CR/DR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Sale of Properties Deferral Account - Revenue Requirement Impacts.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT LONG-TERM TRANSMISSION STUDIES DEFERRAL ACCOUNT

Hydro One Transmission proposes the continuation of the currently established Account 1508 - Other Regulatory Assets, Sub-Account “Long-Term Transmission Studies Deferral Account” subject to the proposed modifications described below.

Since EB-2012-0031, this account has been used to record transmission planning and study costs associated with preliminary consideration of corridor routing for new transmission infrastructure, which would otherwise be expensed. In the current Application, Hydro One is proposing to expand the account to also capture the following during the 2028-2032 period:

i. Costs of undertaking transmission planning and studies related to transmission stations at the request of governmental authorities, including the IESO, Crown corporations and other agencies, to inform studies, reports, plans and other evaluations, including but not limited to informing bulk system planning and regional system planning.

Due to the proposed account modification, Hydro One proposes in Exhibit G-01-03 Section 3.4 that the name of the account be modified to Long-Term Transmission Studies Deferral Account.

The modified account will be established as Account 1508 - Other Regulatory Assets, Sub-Account “Long-Term Transmission Studies Deferral Account” effective January 1, 2028. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA#	Account Description
DR 1508	Other Regulatory Asset, Sub-Account "Long-Term Transmission Studies Deferral Account"
CR XXXX	OM&A Accounts, as applicable

Initial entry to defer eligible costs related to long-term transmission studies that would otherwise be expensed.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account "Interest Improvement on Long-Term Transmission Studies Deferral Account"
CR/DR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Long-Term Transmission Studies Deferral Account.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 2435 – EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT

Hydro One Transmission proposes a continuation of the currently established Account 2435 – “Accrue Rate-Payer Benefit Account” subject to a modification to establish the account as a cumulative asymmetrical Earnings Sharing Mechanism (ESM) deferral account, as per Exhibit G-01-03 Section 3.5. Under the modified approach, the account will operate as a cumulative earnings-sharing mechanism over the 2028 to 2032 Custom IR term. The account balance will be adjusted annually based on cumulative earnings achieved from the beginning of the term, such that over-earnings in one year may be offset by lower earnings in subsequent years. As a result, any earnings-sharing determination will reflect Hydro One Transmission's cumulative earnings performance over the full five-year term rather than the results of any individual year.

This ESM Deferral Account shall record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points over the five-year term. Actual ROE will be calculated using actual rate base, determined as the sum of average regulated fixed assets and the working capital allowance, as reported in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's Regulatory Reporting Requirements (RRR). Any amount subject to sharing with customers will be grossed-up for the associated tax impact, to the extent that there are no tax losses available in the year to offset the excess earnings.

The asymmetrical design of the account ensures that customers share in the benefits of cumulative earnings achieved above the approved return while Hydro One Transmission bears the risk of earnings below the approved return.

The modified account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2028. Hydro One will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA #	Account Description
CR 2435	Accrued Rate-Payer Benefit
DR 4395	Rate-Payer Benefit Including Interest

Initial entry to record the over-earnings realized in any year of the five-year term.

USofA #	Account Description
CR 2435	Accrued Rate-Payer Benefit
DR 4395	Rate-Payer Benefit Including Interest

To record interest improvement on the principal balance of the ESM deferral account.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT TRANSMISSION CYBER SECURITY VARIANCE ACCOUNT

Hydro One Transmission requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Cyber Security Variance Account" in Exhibit G-01-03 Section 5.1 to record the approved revenue requirement impacts of incremental net new capital (in-service additions) and pre-paid transmission investments required to address new, amended, or unplanned cybersecurity compliance obligation arising from future North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) requirements, regulatory directives, or compliance obligations that were not known or reasonably foreseeable at the time the Application was developed.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Cyber Security Variance Account" effective January 1, 2028. The proposed account is intended to operate as a symmetrical variance account. Amounts recorded will reflect variances between forecasted baseline cybersecurity in-service additions embedded in rate base and the actual incremental in-service additions made to satisfy new or changed compliance requirements. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA#	Account Description
DR/CR 1508	Other Regulatory Assets, Sub-Account "Cyber Security Variance Account"
CR/DR 4110	Transmission Services Revenue

To record the revenue requirement impact difference between the planned in-service additions and prepaid investments for Cyber Security and actual in-service additions and prepaid investments for Cyber Security.

USofA#	Account Description
DR/CR 1508	Other Regulatory Assets, Sub-Account “Cyber Security Variance Account”
CR/DR 6035	Other Interest Expense

To record carrying charges on the principal balance of the Cyber Security Variance Account Revenue Account.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT "CHANGE OF LAWS DEFERRAL ACCOUNT

Hydro One Transmission requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Change of Laws Deferral Account" in Exhibit G-01-03 Section 5.2 to record the approved cost and revenue requirement impacts arising from material changes in legal or regulatory requirements during the 2028–2032 rate period.

Eligible amounts will be limited to the incremental costs or revenue requirement impacts directly attributable to the change in law or regulatory requirement. The account will not capture general inflation, ordinary supply-chain escalation, routine project-cost increases, or costs that were known and reasonably incorporated into the approved Application.

To avoid duplication, Hydro One will separately track costs associated with each triggering event and will exclude amounts recorded in, or recoverable through, existing or future approved accounts, including accounts established for supply-chain impacts, major project cost variances, work beyond budget, accounting changes, exceptional weather or other identified drivers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Change of Laws Deferral Account" effective January 1, 2028. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account “Change of Laws Deferral Account”
CR/DR XXX	Account(s) associated with revenue requirement impacts, as applicable

Initial entry to record revenue requirement impacts related to the Change of Laws.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account “Change of Laws Deferral Account”
CR/DR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Change of Laws Deferral Account.

HYDRO ONE TRANSMISSION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT TRANSMISSION DTS OPERATIONS VARIANCE ACCOUNT

Hydro One Transmission requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "DTS Operations Variance Account" in Exhibit G-01-03 Section 5.3 to record the variance between actual prudently incurred Digital Technology Services (DTS) operations costs allocated to Transmission that are subject to external third-party contractual arrangements and the corresponding level of funding provided through rates under the OEB-approved Custom IR framework.

The account is intended to capture material variances arising from increases in vendor-supported technology, telecommunications, cybersecurity, cloud-based, software, and other third-party service costs required to support the operation, maintenance, security, and reliability of Hydro One's transmission system and related business operations.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "DTS Operations Variance Account" effective January 1, 2028. Hydro One Transmission will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA#	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account "DTS Operations Variance Account"
DR/CR 4110	Transmission Services Revenue

Initial entry to record the revenue requirement impact of variances between actual DTS operations costs subject to external third-party contractual arrangements and the amount funded through approved Transmission rates.

USofA#	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account “DTS Operations Variance Account”
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the DTS Operations Variance

HYDRO ONE TRANSMISSION ACCOUNTING ORDER - ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, DEPRECIATION EXPENSE (ASSET REMOVAL COSTS) SYMMETRICAL VARIANCE ACCOUNT

Hydro One Transmission proposes the continuation of the currently established Account 2405 - Other Regulatory Liabilities, Sub-Account “Asset Removal Costs Asymmetrical Cumulative Variance Account” subject to modifications, as per Exhibit G-01-03 Section 3.6.

Under the proposed modification, this account would record, on a cumulative basis, the differences between:

- the revenue requirement associated with forecast asset removal cost, included in depreciation expense for the 2028-2032 test years, including asset removals related to externally driven work; and
- actual asset removal costs incurred in each of the test years, including applicable tax impacts.

The proposed modification would make the account symmetrical, such that both over- and under-spending relative to the approved forecast would be recorded in the account for future disposition. The symmetrical treatment is appropriate because actual asset removal costs may vary above or below forecast levels due to the timing, scope, and execution of asset retirement activities, including externally driven work activities, which are not fully within Hydro One's control. Therefore, a symmetrical variance account appropriately protects both ratepayers and the utility from material forecast variances.

As a symmetrical account, the variation in externally driven investments detailed in Exhibit G-01-03 Section 3.6 will be recorded in the account, with under-spending returned to ratepayers and over-spending recovered from ratepayers.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
DR/CR 2405	Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Symmetrical Cumulative Variance Account"
CR/DR 4110	Transmission Services Revenue

Initial entry to record the difference between actual asset removal costs and forecasted asset removal costs.

USofA #	Account Description
DR/CR 2405	Other Regulatory Liabilities – Sub-Account "Asset Removal Costs Symmetrical Cumulative Variance Account"
CR/DR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Asset Removal Costs Symmetrical Cumulative Variance Account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT EXTERNALLY DRIVEN DISTRIBUTION PROJECTS VARIANCE ACCOUNT

Hydro One Distribution proposes the continuation of the currently established Account 1508, Other Regulatory Assets, Sub-Account "Externally Driven Distribution Projects Variance Account" subject to the below modifications.

The Externally Driven Distribution Projects Variance Account was approved to record the revenue requirement impact including tax, if any, of variances between overspending or underspending relative to Hydro One's distribution capital investment plan for work related to:

1. Joint-Use and Relocations (D-SA-01); and
2. Variances in relation to Customer Demand Distributed Energy Resource (DER) (D-SA-03) or DER connections, but only where triggered by specific IESO procurement initiatives

For the 2028-2032 rate term, Hydro One Distribution requests a modification to expand the scope of this account to include:

i. All load connections and upgrades in D-SA-02, excluding service cancellations;
ii. All DER connections in D-SA-03 to mitigate the need to redirect existing funding included in rates to address the expectation and uncertainty arising from increases in DER volumes that are third party driven;
iii. Any work required on the Distribution system because of an externally driven Hydro One Transmission project; and
iv. Asset removals costs associated with externally driven work

As a symmetrical account, the variation in externally driven investments detailed in Exhibit G-01-03 Section 7.1 will be recorded in the account, with under-spending returned to ratepayers and over-spending recovered from ratepayers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Externally Driven Distribution Projects Variance Account" effective January 1, 2028. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Distribution Projects Variance Account"
DR/CR 4080	Distribution Services Revenue

Initial entry to record the revenue requirement impact of variances between externally driven distribution investments and asset removal costs included in the forecast and actuals.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Distribution Projects Variance Account"
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Externally Driven Distribution Projects Variance Account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT DESIGNATED BROADBAND PROJECT IMPACTS VARIANCE ACCOUNT

Hydro One Distribution proposes a continuation of the currently established Account 1508 – Other Regulatory Assets, Sub-Account "Designated Broadband Projects Impacts" subject to modifications to record the associated revenue requirement variance from the final baselines of costs.

As a symmetrical account, the variation in Broadband Projects Impacts detailed in Exhibit G-01-03 Section 7.2 relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to ratepayers and overspend to be recovered from ratepayers.

The modified sub-account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Broadband Projects Impacts Variance Account" effective January 1, 2028. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

UsofA #	Account Description
DR/CR 1508	Other Regulatory Assets, Sub-account Designated Broadband Project Impacts Variance account
CR/DR 4080	Distribution Services Revenue

To record the associated revenue requirement variance for the Designated Broadband Project Impacts.

UsofA #	Account Description
DR/CR 1508	Other Regulatory Assets – Sub-Account "Broadband Project Impacts Variance Account"
CR/DR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Designated Broadband Project Impacts Variance Account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 2405 – OTHER REGULATORY LIABILITIES, SUB-ACCOUNT DISTRIBUTION SALE OF PROPERTIES DEFERRAL ACCOUNT

Hydro One Distribution proposes a continuation of the currently established Account 2405 - Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account" subject to the proposed modifications described below.

The modified account in Exhibit G-01-03 Section 7.3 will record the revenue requirement impacts, including applicable taxes, and after-tax gains or losses associated with the sale of land and buildings in the General Plant Facilities and Real Estate portfolio during the 2028–2032 Custom IR term, only where such sales are undertaken in connection with the purchase of new land or the purchase or construction of new buildings for purposes of consolidating or replacing the sold properties, as further described in GSP Section 4.11 G-GP-03.

The modified account will be established as Account 2405, Other Regulatory Liabilities – Sub-Account "Sale of Properties Deferral Account" effective January 1, 2028. Hydro One Distribution will record interest on the balance in the sub-accounts using the interest rates as set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed of.

USofA#	Account Description
DR/CR 2405	Other Regulatory Liabilities, Sub-Account "Sale of Properties Deferral Account – Revenue Requirement Impacts"
CR/DR 4080	Distribution Services Revenue

To record the revenue requirement impact associated with the rate base component of the sold land and buildings in the General Plant Facilities and Real Estate portfolio.

USofA#	Account Description
CR/DR 2405	Other Regulatory Liabilities, Sub-Account “Sale of Properties Deferral Account – Revenue Requirement Impacts”
DR/CR 4355	Gain on Disposition of Utility and Other Property

To record the after-tax gain or losses from the sale of existing land and building in the General Plant Facilities and Real Estate portfolio.

USofA#	Account Description
CR/DR 2405	Other Regulatory Liabilities, Sub-Account “Sale of Properties Deferral Account – Revenue Requirement Impacts”
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Sale of Properties Deferral Account - Revenue Requirement Impacts.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 2435 – EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT

Hydro One Distribution proposes a continuation of the currently established Account 2435 – “Accrue Rate-Payer Benefit Account” subject to a modification to establish the account as a cumulative asymmetrical Earnings Sharing Mechanism (ESM) deferral account, as per Exhibit G-01-03 Section 7.4. Under the modified approach, the account will operate as a cumulative earnings-sharing mechanism over the 2028 to 2032 Custom IR term. The account balance will be adjusted annually based on cumulative earnings achieved from the beginning of the term, such that over-earnings in one year may be offset by lower earnings in subsequent years. As a result, any earnings-sharing determination will reflect Hydro One Distribution's cumulative earnings performance over the full five-year term rather than the results of any individual year.

This ESM Deferral Account shall record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points over the five-year term. Actual ROE will be calculated using actual rate base, determined as the sum of average regulated fixed assets and the working capital allowance, as reported in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's Regulatory Reporting Requirements (RRR). Any amount subject to sharing with customers will be grossed up for the associated tax impact, to the extent that there are no tax losses available in the year to offset the excess earnings.

The asymmetrical design of the account ensures that customers share in the benefits of cumulative earnings achieved above the approved return while Hydro One Distribution bears the risk of earnings below the approved return.

The modified account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2028. Hydro One will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

USofA#	Account Description
CR 2435	Accrued Rate-Payer Benefit
DR 4395	Rate-Payer Benefit Including Interest

Initial entry to record the over-earnings realized in any year of the five-year term.

USofA #	Account Description
CR 2435	Accrued Rate Payer Benefit
DR 4395	Rate-Payer Benefit Including Interest

To record interest improvement on the principal balance of the ESM deferral account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT DISTRIBUTION CYBER SECURITY VARIANCE ACCOUNT

Hydro One Distribution requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Cyber Security Variance Account" in Exhibit G-01-03 Section 9.1 to record the approved revenue requirement impacts of incremental net new capital (in-service additions) and prepaid distribution investments required to address material new or amended cybersecurity compliance obligations arising from government, regulatory, legislative, or industry-mandated requirements that are outside the current plan and not otherwise captured through the Transmission Cyber Security Variance Account.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Cyber Security Variance Account" effective January 1, 2028. The proposed account is intended to operate as a symmetrical variance account. Amounts recorded will reflect variances between forecasted baseline cybersecurity in-service additions embedded in rate base and the actual incremental in-service additions made to satisfy new or changed compliance requirements. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account "Cyber Security Variance Account
CR/DR 4080	Distribution Services Revenue

To record the revenue requirement impact difference between the planned in-service additions and prepaid investments for Cyber Security and actual in-service additions and prepaid investments for Cyber Security.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account "Cyber Security Variance Account
CR/DR 6035	Other Interest Expense

To record carrying charges on the principal balance of the Cyber Security Variance Account Revenue Account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT DISTRIBUTION CHANGE OF LAWS DEFERRAL ACCOUNT

Hydro One Distribution requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Change of Laws Deferral Account" in Exhibit G-01-03 Section 9.2 to record the approved cost and revenue requirement impacts arising from material changes in legal or regulatory requirements during the 2028–2032 rate period.

Eligible amounts will be limited to the incremental costs or revenue requirement impacts directly attributable to the change in law or regulatory requirement. The account will not capture general inflation, ordinary supply-chain escalation, routine project-cost increases, or costs that were known and reasonably incorporated into the approved Application.

To avoid duplication, Hydro One will separately track costs associated with each triggering event and will exclude amounts recorded in, or recoverable through, existing or future approved accounts, including accounts established for supply-chain impacts, major project cost variances, work beyond budget, accounting changes, exceptional weather or other identified drivers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Change of Laws Deferral Account" effective January 1, 2028. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for the deferral account.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account "Change of Laws Deferral Account"
CR/DR XXX	Account(s) associated with revenue requirement impacts, as applicable

Initial entry to record revenue requirement impacts related to the Change of Laws.

USofA#	Account Description
DR/CR 1508	Other Regulatory Asset, Sub-Account "Change of Laws Deferral Account"
CR/DR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Change of Laws Deferral Account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT DISTRIBUTION DTS OPERATIONS VARIANCE ACCOUNT

Hydro One Distribution requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "DTS Operations Variance Account" in Exhibit G-01-03 Section 9.3 to record the variance between actual prudently incurred Digital Technology Services (DTS) operations costs allocated to Distribution that are subject to external third-party contractual arrangements and the corresponding level of funding provided through rates under the OEB-approved Custom IR framework.

The account is intended to capture material variances arising from increases in vendor-supported technology, telecommunications, cybersecurity, cloud-based, software, and other third-party service costs required to support the operation, maintenance, security, and reliability of Hydro One's Distribution system and related business operations.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "DTS Operations Variance Account" effective January 1, 2028. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account "DTS Operations Variance Account"
DR/CR 4080	Distribution Services Revenue

Initial entry to record the revenue requirement impact of variances between actual DTS operations costs subject to external third-party contractual arrangements and the amount funded through approved Distribution rates.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account “DTS Operations Variance Account”
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the DTS Operations Variance Account.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT NON-WIRES SOLUTION (NWS) IMPLEMENTATION COST VARIANCE ACCOUNT

Hydro One Distribution requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Non-Wires Solution (NWS) Implementation Cost Variance Account" to capture the following during the 2028-2032 rate period:

i. The revenue requirement impact throughout the 2028-2032 rate term associated with: (a) replacing a planned capital (wires) project with NWS; (b) converting a planned NWS project to a capital (wires) project, if warranted; and (c) new NWS projects that arise;
ii. Any incremental net OM&A expenditures incurred over the 2028-2032 rate term required to implement and operate NWS to offset capital projects; and,
iii. Margin on Payments (MoP) incentives associated with payments made to the third-party DER providers identified in this Application.

The proposed account is intended to operate as a symmetrical variance account with disposition, on a cumulative basis, at the end of the five-year term.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "NWS Implementation Cost Variance Account" effective January 1, 2028. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA#	Account Description
DR/CR 1508	Other Regulatory Assets, Sub-Account "Non-Wires Solution Implementation Cost Variance Account"
CR/DR 4080	Distribution Services Revenue

To record incremental revenue requirement impact associated with the conversion from a new (or removed) wires projects (capital) to a non-wires (OM&A) NWS or vice versa, incremental net OM&A expenditures incurred to implement and operate non-wires solutions to off-set capital projects and Margin on Payments (MoP) incentive associated with 3rd party owned DERs identified in this Application.

USofA#	Account Description
DR/CR 1508	Other Regulatory Assets, Sub-Account "Non-wires Solution Implementation Cost Variance Account"
CR/DR 6035	Other Interest Expense

To record interest improvement on the principal balance of the NWS Implementation Cost Variance Account.

HOSSM – REGULATORY ACCOUNT REQUESTS

1.0 INTRODUCTION

This Exhibit describes HOSSM's requests to continue, discontinue, modify and establish new regulatory accounts for its business. For the new accounts proposed, the eligibility criteria regarding causation, materiality and prudence are described.

Table 1 identifies existing regulatory accounts with HOSSM's planned action (i.e. continue, continue with modification, or discontinue). Table 2 lists the new regulatory accounts proposed. The description of these account requests is contained in Sections 2 through 3 of this Exhibit, which are listed in the order of USoA in the HOSSM DVA Continuity Schedule in Exhibit G-01-07, Attachment 3. The account numbering in these tables corresponds with the sections of this Exhibit in which each account is discussed.

Table 1 - HOSSM Account Requests

Existing Accounts	Account	Request
2.1 Property Tax and Use and Occupation Permit Fee Variance	1508	Continue
2.2 Tax Rate Changes Variance Account	1592	Continue
2.3 Priority New Transmission Line – Station Costs - Tracking Account	1508	Continue
3.2 Earnings Sharing Mechanism (ESM) Deferral Account	2435	Continue with Modification
4.1 OEB Cost Assessment Variance Account	1508	Discontinue
4.2 International Financial Reporting Standards (IFRS) Gains and Losses	1508	Discontinue

Table 2 - New HOSSM Regulatory Accounts

New Accounts	Account	Request
3.1 Externally Driven Transmission Projects Variance Account	1508	New

2.0 REQUESTS FOR CONTINUANCE OF HOSSM REGULATORY ACCOUNTS

2.1 PROPERTY TAX AND USE AND OCCUPATION PERMIT FEE VARIANCE (ACCOUNT 1508)

HOSSM proposes to continue this account to capture variances in payments in lieu of taxes paid to First Nations as compared to the base cost embedded in revenue requirement for each year.

2.2 TAX RATE CHANGES VARIANCE ACCOUNT (ACCOUNT 1592)

HOSSM will continue to use this account to track both positive and negative revenue requirement impacts arising from legislative or regulatory changes to tax rates or rules compared to costs approved by the OEB as part of the 2028-2032 transmission revenue requirement. As the revenue requirement includes taxes, this account will also capture any applicable tax gross-up. This account was established by the OEB for utilities as per the Accounting Procedures Handbook.

2.3 PRIORITY NEW TRANSMISSION LINE – STATION COSTS - TRACKING ACCOUNT (ACCOUNT 1508)

HOSSM proposes to continue this account until the New Transmission Line Project is completed. Maintaining the account provides transparency and ensures prudently incurred costs are appropriately reviewed and recovered through future rate proceedings if the New Transmission Line Project does not proceed for reasons beyond HOSSM's control.

3.0 REQUESTS FOR NEW OR MODIFIED HOSSM REGULATORY ACCOUNTS

3.1 EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT – ***NEW***

Consistent with Hydro One Transmission, HOSSM requests the establishment of an Externally Driven Transmission Projects Variance Account.

Like Hydro One Transmission, HOSSM is subject to mandatory transmission construction, expansion, reinforcement, modification and relocation work required by governmental authorities, including indirectly through agencies, Crown corporations, or similar parties through regulation, policy changes, or other official directives, and which include investments arising from legislation, regulation, codes, licenses, reports, studies, assessments, letters and similar instruments/documents issued by governmental authorities where Hydro One is expected to undertake the related work as lead transmitter in Regional Planning and as the identified or default transmitter in Bulk System Planning (Externally Driven Work). Given HOSSM's comparatively small capital budget, even one such Externally Driven project could represent a significant portion of its approved capital envelope and materially disrupt its investment plan. Consequently, HOSSM would have limited ability to absorb these costs through reasonable reprioritization without materially deferring other planned investments.

In this Application, HOSSM used the best information available to develop its capital expenditure and ISA forecasts for known Externally Driven Work (see TSP Section 2.10 and the investment summary documents in TSP Section 2.12 listed in Table 3 below).

Where HOSSM becomes aware of new Externally Driven Work during the hearing of this Application, HOSSM will adopt Hydro One's approach outlined in TSP Section 2.6 and Exhibit G-01-03 Section 3.1 to update the investment plan where possible. However, in the course of evaluating the Application or after the OEB issues its Decision in this Application, the associated revenue requirement variance for Externally Driven Work will be recorded in this account according to the final baselines of the investments presented in Table 3, which may be updated during the course of this proceeding.

The HOSSM capital expenditures and ISAs baselines for this account are provided in Table 3.

Table 3 - HOSSM Externally Driven Transmission Projects Variance Account Baselines

$M	2027	2028	2029	2030	2031	2032
Capital (Total)	**18.3**	**29.4**	**9.2**	**0.3**	**0.0**	**0.0**
T-SS-11 Bulk Planning	18.3	29.4	9.2	0.3	0.0	0.0
ISA (Total)	**0.0**	**0.0**	**56.9**	**0.3**	**0.0**	**0.0**
T-SS-11 Bulk Planning	0.0	0.0	56.9	0.3	0.0	0.0

With respect to the OEB's eligibility criteria for the establishment of new deferral and variance accounts:

- Causation: The costs proposed to be recorded in the HOSSM Externally Driven Transmission Projects Variance Account arise from externally driven capital needs and will be clearly outside the base upon which the rates proposed in this Application are derived.
- Materiality: The amounts to be recorded in the account are expected to exceed the OEB's materiality threshold ($0.29M for HOSSM) due to the large scale and variability of externally driven transmission work.
- Prudence: The costs to be captured in the proposed account will meet this eligibility criterion, as the investments to be undertaken in connection with Externally Driven Work are required to ensure that HOSSM is able to serve, provide non-discriminatory access, and respond to directives and other legal obligations that are imposed on HOSSM by legislation and other regulatory requirements.

The Draft Accounting Order for the HOSSM Externally Driven Transmission Projects Variance Account is provided in Attachment 1.

3.2 EARNINGS SHARING MECHANISM (ESM) DEFERRAL ACCOUNT (ACCOUNT 2435) – *MODIFIED*

HOSSM proposes to modify the ESM deferral account to operate as a cumulative asymmetrical earnings-sharing mechanism over the 2027 to 2032 term. Under the proposed approach, the ESM deferral account balance will be adjusted annually based on

cumulative earnings achieved over the entire term and 50% of any cumulative earnings in excess of the approved ROE by more than 100 basis points will be recorded in the ESM deferral account for the benefit of customers.

The ESM's asymmetrical design ensures that customers share in the benefits of sustained over-earnings. This approach aligns with the proposed Custom IR incentive-based framework by encouraging efficiency improvements, while providing customers with a share of material earnings achieved above the approved return at the end of the six-year term.

In addition, HOSSM will calculate actual ROE using actual rate base, determined as the sum of average regulated fixed assets and the working capital allowance, as reported in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's Regulatory Reporting Requirements (RRR). The use of actual rate base in the calculation is consistent with RRR 2.1.5.6 filing guideline. Any amount subject to sharing with ratepayers will be grossed-up for the associated tax impact, to the extent that there are no tax losses available in the year to offset the excess earnings.

The modified Draft Accounting Order for HOSSM's ESM Variance Account is provided in Attachment 2 to this exhibit.

4.0 REQUESTS FOR DISCONTINUANCE OF HOSSM REGULATORY ACCOUNTS

4.1 OEB COST ASSESSMENT VARIANCE ACCOUNT (ACCOUNT 1508)

HOSSM proposes to discontinue this account, as the OEB's updated cost assessments have been reflected in this Application. HOSSM requests that the balances attributable to 2026 and 2027, including carrying charges, remain eligible for disposition in its next rebasing application if the forecast amounts are not approved for disposition in this proceeding.

4.2 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) GAINS AND LOSSES (ACCOUNT 1508)

HOSSM proposes to discontinue this account as no entries have been recorded since 2016.

HOSSM ACCOUNTING ORDER – ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT EXTERNALLY DRIVEN TRANSMISSION PROJECTS VARIANCE ACCOUNT

HOSSM requests the establishment of a new Account 1508 - Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account".

This account will record the revenue requirement impact including tax, if any, of variances between the in-service additions embedded in HOSSM's approved revenue requirement relating to Externally Driven Work[1] and the actual in-service additions arising from Externally Driven Work during the 2027-2032 rate period.

For the purposes of this account, "Externally Driven Work" shall include mandatory transmission construction, expansion, reinforcement, modification, relocation, development or related activities undertaken by HOSSM that are required by governmental authorities, including through agencies, Crown corporations, planning authorities or similar parties, arising from:

- legislation, regulations, codes, licences or other regulatory requirements;
- Orders in Council, Ministerial Directives or similar instruments/documents issued by governmental authorities;
- IESO Bulk System Planning recommendations where HOSSM is expected to undertake the recommended work either expressly as the identified transmitter, by virtue of the work being in relation to its existing facilities, and/or implicitly as the default transmitter;
- [IESO] Regional Planning recommendations where HOSSM is expected to undertake the related work either expressly as the identified transmitter, by virtue of the work being in relation to its existing facilities, and/or as lead transmitter in the relevant region; and
- other reports, studies, assessments, letters or similar instruments issued by governmental authorities, including but not limited to the IESO.

[1] The Externally Driven Work and forecast amounts are outlined in Exhibit G-01-04, Section 3.1.

Eligible costs include:

- preliminary engineering;
- environmental assessment and permitting activities;
- Indigenous engagement activities;
- development and planning costs;
- project design and engineering;
- construction costs, including (for greater certainty) land rights acquisition costs and equipment and materials procurement costs;
- commissioning costs; and
- prudently incurred wind-up or demobilization costs for projects that do not go into service due to circumstances beyond HOSSM's control.

As a symmetrical account, the variation in the Externally Driven Work detailed in Exhibit G-01-04, Section 3.1 relative to what is recovered in revenue requirement will be recorded in the account, with underspend returned to ratepayers and overspend to be recovered from ratepayers.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account "Externally Driven Transmission Projects Variance Account" effective January 1, 2027. HOSSM will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this variance account.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account "Externally Driven Transmission Projects Variance Account"
DR/CR 4110	Transmission Services Revenue

Initial entry to record the revenue requirement impact of variances between Externally Driven Work in-service additions included in the forecast and actuals.

USofA #	Account Description
CR/DR 1508	Other Regulatory Assets, Sub-Account “Externally Driven Transmission Projects Variance Account”
DR/CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Externally Driven Transmission Projects Variance Account.

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HOSSM ACCOUNTING ORDER – ACCOUNT 2435 – EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT

HOSSM proposes a continuation of the currently established Account 2435 – “Accrue Rate-Payer Benefit Account” subject to a modification to establish the account as a cumulative asymmetrical Earnings Sharing Mechanism (ESM) deferral account, as per Exhibit G-01-04 Section 3.2. Under the modified approach, the account will operate as a cumulative earnings-sharing mechanism over the 2027 to 2032 term. The account balance will be adjusted annually based on cumulative earnings achieved from the beginning of the term, such that over-earnings in one year may be offset by lower earnings in subsequent years. As a result, any earnings-sharing determination will reflect HOSSM's cumulative earnings performance over the full six-year term rather than the results of any individual year.

This ESM Deferral Account shall record 50% of earnings that exceed the regulatory return on equity (ROE) reflected in this Application by more than 100 basis points over the six-year term. Actual ROE will be calculated using actual rate base, determined as the sum of average regulated fixed assets and the working capital allowance, as reported in the "Calculation of ROE on a Deemed Basis" filed pursuant to the OEB's Regulatory Reporting Requirements (RRR). Any amount subject to sharing with customers will be grossed up for the associated tax impact, to the extent that there are no tax losses available in the year to offset the excess earnings.

The asymmetrical design of the account ensures that customers share in the benefits of cumulative earnings achieved above the approved return while HOSSM bears the risk of earnings below the approved return.

The modified account will be established as Account 2435, Accrued Rate-Payer Benefit effective January 1, 2027. HOSSM will record interest on any balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

Witness: Anthony Nava

The following outlines the proposed accounting entries for this deferral account.

USofA# Account	Description
CR 2435	Accrued Rate-Payer Benefit
DR4395	Rate-Payer Benefit Including Interest

Initial entry to record the over-earnings realized in any year of the six-year term.

USofA #	Account Description
CR 2435	Accrued Rate Payer Benefit
DR 4395	Rate-Payer Benefit Including Interest

To record interest improvement on the principal balance of the ESM deferral account.

PROPOSED DISPOSITION OF REGULATORY ACCOUNTS

1.0 INTRODUCTION

This Exhibit outlines the proposed disposition of Hydro One's Transmission, Distribution and HOSSM regulatory account balances in this proceeding. As outlined in Exhibit G-01-01, Attachment 1, the regulatory balances brought forth for disposition have been established pursuant to the applicable accounting orders approved by the OEB, consistent with the Accounting Procedures Handbook and any subsequent OEB direction. The Transmission, Distribution and HOSSM account balances proposed for disposition are based on 2025 audited balances (before forecasted interest and approved dispositions) and are aligned with the audited financial statements.

For Hydro One Transmission, Hydro One proposes to recover from ratepayers a total credit balance of $295.3M, representing the forecasted December 31, 2025 regulatory account balance based on audited December 31, 2025 balances, adjusted for amounts approved for disposition by the OEB in prior decisions and forecast carrying charges up to the end of 2027. In Exhibit G-01-07, Attachment 1, Hydro One presents the transactions in the regulatory accounts. Hydro One Transmission was last approved to dispose of its 2020 balances in its 2023-2027 Custom IR application.

For Hydro One Distribution, Hydro One proposes to return to ratepayers a total credit balance of $224.0M, which is comprised of (i) audited 2025 balances for Hydro One Distribution and Acquired Utilities (Norfolk, Haldimand and Woodstock) for Group 1 accounts as those balances are tracked on a combined basis, and (ii) audited 2025 Hydro One Distribution's Group 2 accounts. In Exhibit G-01-07, Attachment 2, Hydro One presents the 2025 transactions in the Group 1 regulatory accounts, and 2021-2025 transactions in the Group 2 regulatory accounts.

Hydro One Distribution's Group 1 accounts (except Account 1588 and 1589) and the Earnings Sharing Mechanism (ESM) Deferral Account were last disposed of on a final basis based on audited 2024 balances in the 2026 Annual Update Application (EB-2025-

0030). The 2023 and 2024 Account 1588 and 1589 balances were last approved on an interim basis. As there were no changes to these balances, Hydro One requests final disposition of these amounts in this Application.

Hydro One Distribution's 2020 Group 2 accounts with the exception of the ESM Deferral Account, were last approved for disposition in its 2023-2027 Custom IR application.

In this Application, Hydro One proposes to dispose of its 2025 account balances for Transmission and Distribution on a final basis, and confirms that no adjustments were made to prior approved balances. Hydro One intends to update, during the course of this proceeding, the balances of all Group 1 and Group 2 accounts for which disposition is requested in this Application to reflect 2026 audited actuals.

Exhibit A-02-01, Attachments 1 and 2 includes Hydro One's and HOSSM's CFO certification on the preparation, review, verification and oversight of the account balances being proposed for disposition.

2.0 DISPOSITION OF REGULATORY ACCOUNTS FOR TRANSMISSION

Hydro One is seeking to return to ratepayers a total credit balance of $295.3M which is based on audited December 31, 2025 balances, adjusted for carrying charges anticipated through to the end of 2027 and net of drawdowns from approved dispositions as outlined in Table 1. Please see Exhibit G-01-07, Attachment 1 for the Hydro One Transmission DVA Continuity Schedule.

Table 1 - Disposition of Regulatory Account Balances (Transmission) ($)

Group 2 Accounts	Account	Closing Principal Balance as at Dec 31, 2025 [1]	Total Interest as at Dec 31, 2027 [2]	Total Balance for Disposition as at Dec 31, 2027
LDC CDM and Demand Response Variance Account	1508	(2,182,603)	480,044	(1,702,559)
Affiliate Transmission Projects (ATP)	1508	0	952	952
OPEB Cost Deferral Account	1508	0	1,159,939	1,159,939
Customer Connection and Cost Recovery Agreements (CCRA) True-Up Variance Account	1508	1,937,813	217,560	2,155,373
OEB Cost Differential Account	1508	992,368	50,611	1,042,978
Capitalized Overheads Tax Variance Account	1508	(27,678,823)	(3,597,870)	(31,276,693)
EDW (Externally Driven Work) Variance	1508	82,099	(47,901)	34,198
Capital Contribution Recovery Differential Account (BATU)	1508	938,697	84,728	1,023,425
Cloud Computing Implementation Cost Deferral Account	1511	6,675,696	794,527	7,470,223
OPEB Asymmetrical Carrying Charge Account	1522	(26,484,955)	-	(26,484,955)
Tax Rate Changes Variance Account	1592	-	(804,624)	(804,624)
External Secondary Land Use Revenue Variance Account	2405	(66,665,519)	(10,326,791)	(76,992,310)
External Station Maintenance, E&CS and Other External Revenue Variance Account	2405	169,018	260,485	429,503
Rights Payments Variance Account	2405	(3,147,879)	(545,196)	(3,693,075)
Pension Cost Differential Variance Account	2405	(13,188,680)	(1,303,232)	(14,491,912)
Asset Removal Asymmetrical Variance Account	2405	(39,408,224)	(6,053,197)	(45,461,421)
Deferred Tax Sharing with Rate Payers	2405/1508	-	5,354,449	5,354,449
Sale of Properties Account	2405	(3,040,670)	(448,711)	(3,489,381)
Earnings Sharing Mechanism (ESM) Deferral Account	2435	(103,489,411)	(6,103,241)	(109,592,652)
Total Transmission Regulatory Accounts for Disposition		**(274,491,074)**	**(20,827,469)**	**(295,318,543)**

[1] Total closing principal balance as at December 31, 2025 includes audited 2025 principal balances, adjusted for 2026 OEB-approved dispositions.
[2] Total interest as at December 31, 2027 includes audited 2025 closing interest and projected interest on the December 31, 2025 ending balance (inclusive of 2026 OEB-approved dispositions).

The disposition of regulatory accounts for Transmission is proposed over a five-year period starting on the proposed effective date of January 1, 2028, as discussed in Exhibit G-01-06.

3.0 DISPOSITION OF REGULATORY ACCOUNTS FOR DISTRIBUTION

Hydro One Distribution is seeking to return to ratepayers a total credit balance of $224.0M (inclusive of Group 1 and 2 DVA balances) which is based on audited balances as at December 31, 2025, adjusted for carrying charges anticipated through to the proposed effective date of January 1, 2028 and net of approved dispositions.

3.1 GROUP 1 DISTRIBUTION ACCOUNTS

Hydro One Distribution Group 1 balances are derived based on an allocation of its Consolidated Group 1 balances. This is because Hydro One receives one consolidated invoice from the Independent Electricity System Operator (IESO) for the settlement of commodity, bulk transmission and wholesale settlements for all of its service territories, including those of the Acquired Utilities. The Consolidated DVA Continuity Schedule is provided in Exhibit G-01-05, Attachment 1. The Group 1 allocation of Retail Settlement Variance Accounts (RSVA) is provided at Exhibit G-01-05, Attachment 2, which is based on an allocation methodology approved by the OEB since 2019.[3]

In this Application, the Group 1 accounts proposed for disposition have a total credit balance of $209.8M which is based on audited balances as at December 31, 2025, adjusted for carrying charges anticipated through to the proposed effective date of January 1, 2028 and net of approved dispositions. Hydro One also requests final approval of the 2023 and 2024 balances in Accounts 1588 and 1589, which were previously approved on an interim basis. Hydro One has not adjusted the Group 1 account balances that were previously approved by the OEB for disposition on a final basis. Please see Exhibit G-01-07, Attachment 2 for the Hydro One Distribution DVA Continuity Schedule.

[3] "Inspection of Compliance of the RPP Settlement Process and Assessment of DVA Allocation Methodology to Assign Group 1 Balances to the Acquired Utilities", March 4, 2019, p. 7.

Table 2 - Disposition of Distribution Group 1 Account Balances ($)

Group 1 Account Descriptions	Account Number	Closing Principal Balance as at Dec 31, 2025 [4]	Total Interest as at Dec 31, 2027 [5]	Total Balance
		A	B	A+B
LV Variance Account	1550	1,964,187	140,704	2,104,891
Smart Metering Entity Charge Variance Account	1551	(714,184)	(40,696)	(754,880)
RSVA - Wholesale Market Service Charge	1580	(60,372,514)	(25,015,852)	(85,388,366)
Variance WMS – Sub-account CBR Class A	1580	-	-	-
Variance WMS – Sub-account CBR Class B	1580	8,706,164	22,574,482	31,280,646
RSVA - Retail Transmission Network Charge	1584	(24,545,112)	(1,538,227)	(26,083,339)
RSVA - Retail Transmission Connection Charge	1586	(41,960,850)	(3,029,511)	(44,990,362)
RSVA - Power (excluding Global Adjustment)	1588	(37,236,437)	(3,466,382)	(40,702,819)
RSVA - Global Adjustment	1589	(42,314,346)	(2,376,616)	(44,690,963)
Disposition and Recovery/Refund of Regulatory Balances (2021) - DTA - HONI	1595	(2,845,739)	2,264,547	(581,192)
Group 1 Sub-Total Request for Disposition		**(199,318,832)**	**(10,487,551)**	**(209,806,383)**

3.1.1 COMMODITY ACCOUNTS ANALYSIS WORKFORM

The consolidated 2022 Account 1588 and 1589 balances for Hydro One Distribution were last approved for disposition, on a final basis, in the 2024 Annual Update proceeding (EB-2023-0030). The 2023 and 2024 Account 1588 and 1589 were last approved on an interim basis in the 2026 Annual Update proceeding (EB-2025-0030).

3.1.2 ACCOUNT 1589 REASONABILITY

The 2023, 2024 and 2025 Account 1589 balances are below 1% of the total annual IESO GA charges, taking into consideration the reconciling adjustments that are noted in the

[4] Total closing principal balance as of December 31, 2025 includes audited 2025 principal balances, adjusted for 2026 OEB-approved dispositions.
[5] Total interest as of December 31, 2027 includes audited 2025 closing interest and projected interest on the December 31, 2025 ending balance (inclusive of 2026 OEB-approved dispositions).

Consolidated Commodity Accounts Analysis Workform provided at Exhibit G-01-05, Attachment 3.

Hydro One has identified reconciling adjustments in the Commodity Accounts Analysis Workform to explain the net change in the principal balance in the general ledger. Reconciliations are required in Note 5 of the Commodity Accounts Analysis Workform to true-up the Workform's estimate. In this context, the comparison between expected GA revenue and actual GA revenue billed results in a variance that was identified as a reconciling item. Specifically, any reconciling items recorded as a debit adjustment to the RSVA balance represent an over-recovery of GA revenue (or regulatory asset) relative to the Workform's expectations. A credit adjustment to the RSVA balance represents an under-recovery of GA revenue (or regulatory liability) relative to the Workform's expectations.

3.1.3 ACCOUNT 1588 REASONABILITY

The 2023 Account 1588 balance as a percentage of Account 4705 is -1.9%. After including the reconciling item of $41,214,479 to reflect the variance between commodity costs based on actual line losses and revenues calculated using approved line losses, the variance has been reduced to -0.2%, calculated as the sum of 2023 transactions, principal adjustments and reconciling items divided by the Account 4705 Power Purchased amount.

The 2024 Account 1588 balance as a percentage of Account 4705 is -1.5%. Similar to the above, after including the reconciling item of $24,429,199 to reflect the variance between commodity costs based on actual line losses and revenues calculated using approved line losses, the variance has been reduced to -0.5%, calculated as the sum of 2024 transactions, principal adjustments and reconciling items divided by the Account 4705 Power Purchased amount.

The 2025 Account 1588 balance as a percentage of Account 4705 is -0.3%. Similar to the above, this includes the reconciling item of $30,119,025 to reflect the variance between commodity costs based on actual line losses and revenues calculated using approved line

losses. Please see Exhibit G-01-05, Attachment 4 for details of loss factor equivalent calculation.

3.1.4 COMMODITY ACCOUNTS WORKFORM UPDATE

In the EB-2025-0030 Decision, the OEB approved disposition of the 2023 and 2024 balances related to Accounts 1588 and 1589 on an interim basis and directed Hydro One to file the modified Commodity Accounts Analysis Workform with breakdown of separate reconciling items for any billing adjustments, IESO settlement adjustments, or other adjustments.6

In this Application, the Commodity Accounts Analysis Workform has been modified to include a calendarization of the Global Adjustment (GA) revenue schedule and a reconciliation to general ledger (GL) records, illustrating how actual accounting practices differ from the OEB's Workform Note 4-based estimated revenue. This reconciliation is provided in Tabs "GA 2023 Item 10", "GA 2024 Item 8" and "GA 2025 Item 8". This additional disclosure is not intended to reconcile to the estimated GA revenue in Note 4, but rather to demonstrate that the estimation methodology applied in the Workform is an oversimplification of Hydro One's calculation of its GA revenue, given that the actual revenue recorded in the GL reflects more complex billing activities.

The calendarization GA schedule provides an illustrative example of the level of detail required to accurately align consumption with the applicable GA rates. In addition, a summary analysis is provided to highlight the key differences between (i) accounting and billing practices and (ii) the Workform Note 4 calculation.

There are two main differences between Hydro One's GA accounting practice and the calculation methodology in Workform Note 4.

1. **Treatment of reversal of unbilled revenue**: Hydro One Distribution reverses unbilled revenue in the subsequent period. As a result, only year-end unbilled revenue remains in the general ledger (GL), since monthly unbilled accruals are

[6] EB-2025-0030, Partial Decision and Order, December 17, 2025, p. 22

reversed in the following month and therefore have no net impact on annual revenue. By contrast, the Workform reverses the same unbilled consumption volumes using the subsequent month's GA rate rather than the original rate applied when the accrual was recorded. This can cause the reversal amount to differ from the original accrual, resulting in a variance between Note 4 estimated and actual recognized revenue in the GL.

2. **GA Revenue Calculation**: GA revenue is calculated at the individual customer account level using actual consumption for each billing cycle, which may not align with the calendar month. This includes both billed and unbilled volumes and applies the monthly GA rate in effect when the consumption occurs. This approach preserves the link between each unit of consumption and the corresponding monthly GA rate. By contrast, the OEB's generic Workform applies a single monthly GA rate to aggregated total consumption, including both billed and unbilled volumes. Because this method does not distinguish consumption by billing period or by customer, it reduces granularity and may result in a mismatch between the GA rate applied and the period in which the consumption occurred.

In 2023, 2024, and 2025, there are credit reconciling items of $25,995,070 (Note 5, Item 10), $13,507,383 (Note 5, Item 8), and $12,721,376 (Note 5, Item 8), respectively. Due to the differences in the GA revenue calculation, these amounts reflect Hydro One-specific adjustments to the OEB's Commodity Accounts Analysis Workform (Note 4 table).

In summary, this reconciling item arises because the OEB's Note 4 table applies a single monthly Global Adjustment (GA) rate (the first estimate) to total aggregated consumption volumes, including both billed and unbilled consumption. As this methodology does not differentiate consumption by billing period or customer, it does not provide the granularity necessary to ensure that the applicable monthly GA rate is matched to the period in which the consumption occurred. Consequently, differences may arise between the GA revenues calculated in the Workform and those recorded by Hydro One.

To supplement this approach, Hydro One has modified the Commodity Accounts Analysis Workform by performing a calendarized calculation of GA revenue at the individual customer account level. This calculation uses actual consumption for each billing cycle, including both billed and unbilled volumes, and applies the monthly GA rate in effect during the period in which the consumption occurred. This approach preserves the direct relationship between each unit of consumption and its corresponding monthly GA rate, resulting in a more precise calculation of GA revenues.

The resulting adjustment is reflected in Hydro One's general ledger; however, it is excluded from the comparison to the OEB's Note 4 table in order to facilitate a like-for-like comparison with the Workform methodology.

In the Partial Decision and Order for EB-2025-0030, OEB Staff noted that it was not appropriate for Hydro One to rely on aggregate "plug" reconciling items (i.e., reconciling total Account 1588 and 1589 transactions recorded in the general ledger to the balances produced by the Commodity Accounts Analysis Workform). OEB Staff submitted that discrete reconciling items should instead be identified and quantified, with sufficient supporting detail to demonstrate the reasonableness of the Account 1588 and 1589 balances for final disposition.

In the prior proceeding, Hydro One was unable to obtain the calendarized meter data necessary to perform a more detailed analysis of GA revenues. In preparation for this Application filing, Hydro One reviewed and validated the approach to calendarize GA revenues for Class B customers. The amount reported in the Workform GA Tabs, Note 5, Item 10 (2023) and Item 8 (2024, 2025) represent a discrete and supportable reconciling item that quantifies the difference between the OEB Workform methodology and Hydro One's calendarized customer-level calculation of GA revenues, rather than a residual "plug" adjustment.

Hydro One has presented a plan in Exhibit G-01-08 to calendarize its commodity revenue and line loss-adjusted retail sales volumes for its distribution customer accounts to align

with the accounting guidance established by the OEB in its EB-2023-0030/EB-2023-0059 decision. Hydro One will disclose the related commodity revenue adjustments associated with billing activities once the calendarization results are available.

Moreover, in accordance with the OEB's direction, based on the results of the GA revenue calendarization, Hydro One Distribution did not identify any significant billing adjustments to be disclosed in sections 3(a) and 3(b) of the Note 5 table in the Commodity Accounts Analysis Workform. Specifically, no adjustments exceeded the reporting thresholds of $0.5M or 1% of "$ Consumption at Actual Rate Paid" as reported in Note 4, item M.

All other adjustments, including those related to IESO settlements and invoice true-ups, have been captured and disclosed in the Workform under the relevant sections of Note 5 and Note 7(a).

3.1.5 DISPOSITION OF ELIGIBLE ACCOUNT 1595 RIDERS

Hydro One is requesting disposition of the residual balance of the Hydro One Distribution Deferred Tax Savings Rate Rider (which started in 2021 and ended in 2023). As the original rate rider amount was ($92M) and the residual principal with accumulated interest of $2.3M, it results in a total residual balance of ($600K) which is less than 1%.

Hydro One confirms that it does not have any 1595 residual balances with any amounts that have yet to result in associated rate riders.

3.1.6 CAPACITY BASED RECOVERY (CBR) CLASS B ACCOUNTING GUIDANCE

Hydro One confirms that the proposed disposition of Account 1580 sub-account CBR Class B is in accordance with the CBR Accounting Guidance.[7]

3.2 GROUP 2 DISTRIBUTION ACCOUNTS

The Group 2 accounts have a total credit balance of $14.2M which is based on audited balances as at December 31, 2025, adjusted for carrying charges anticipated through to

[7] Accounting Guidance on Capacity Based Recovery, July 25, 2016

the proposed effective date of January 1, 2028 and net of approved dispositions as outlined in Table 3 below.

Table 3 - Disposition of Distribution Group 2 Balances ($)

Group 2 Account Descriptions	Account Number	Closing Principal Balance as at Dec 31, 2025 [8]	Total Interest as at Dec 31, 2027 [9]	Total Balance
		A	B	A+B
OEB Cost Differential Variance Account	1508	1,670,433	85,192	1,755,625
Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account	1508	1,185,214	187,870	1,373,085
Bill Impact Mitigation Variance Account	1508	192,376	12,212	204,587
Customer Choice Initiative Deferral Account	1508	1,231,337	260,652	1,491,990
OPEB Cost Deferral Account	1508	40,028,263	9,293,694	49,321,957
Externally Driven Distribution Projects Variance Account	1508	4,104,108	275,153	4,379,261
Ultra-Low Overnight (ULO) Implementation Costs Deferral Account	1508	336,326	(34,154)	302,172
Seasonal Class Elimination Deferral Account	1508	208,743	(56,814)	151,929
Getting Ontario Connected Act (GOCA) Variance Account	1508	36,656,944	3,340,072	39,997,016
Capacity Allocation Deposit Deferral Account	1508	(239,000)	(41,290)	(280,290)
Green Button Initiative Costs Deferral Account	1508	3,653,995	563,939	4,217,934
Capitalized OH Tax Variance Account	1508	(18,501,627)	(2,416,294)	(20,917,920)
Extended Horizons Variance Account	1508	289,677	14,774	304,451
Designated Broadband Project Impacts Deferral Account	1508	44,321,662	7,474,685	51,796,347
Incremental Cloud Computing Implementation Costs	1511	12,341,076	1,390,357	13,731,434
Retail Cost Variance Account - Retail and STR - Chapleau	1518, 1548	(2,020)	(406)	(2,427)
OPEB Asymmetrical Carrying Charge Account	1522	-	(22,239,056)	(22,239,056)
Accounting Changes Under CGAAP Balance + Return Component-Chapleau	1576	33,497	-	33,497
Pension Cost Differential Variance Account	2405	(15,147,336)	(2,196,096)	(17,343,432)
Pole Attachment Revenue Variance Account	1508	3,027,734	572,452	3,600,186
Advanced Metering Infrastructure (AMI) 2.0 Variance Account	2405	(28,235,534)	(1,816,714)	(30,052,248)
Sale of Properties Deferral Account	2405	(668,425)	(80,467)	(748,892)
Clean Energy Tax Credit Deferral Account	2405	(134,139)	(7,825)	(141,964)
Earnings Sharing Mechanism (ESM) Deferral Account	2435	(57,205,717)	(3,701,863)	(60,907,580)
Group 2 Sub-Total Request for Disposition		**29,147,588**	**(9,119,928)**	**20,027,660**
Tax Rate Changes Variance Account	1592	(27,773,914)	(6,433,313)	(34,207,226)
Total Group 2 Accounts (including 1592)		**1,373,674**	**(15,553,241)**	**(14,179,566)**

[8] Total closing principal balance as of December 31, 2025 includes audited 2025 principal balances, adjusted for 2026 OEB-approved dispositions.
[9] Total interest as of December 31, 2027 includes audited 2025 closing interest and projected interest on the December 31, 2025 ending balance (inclusive of 2026 OEB-approved dispositions).

The disposition of regulatory Group 1 balances for Distribution is proposed over a one-year period, while the disposition of Group 2 balances is proposed over a five-year period starting on the proposed effective date of January 1, 2028, as discussed in Exhibit G-01-06.

3.3 VARIANCES BETWEEN RRR 2.1.7 AND DVA CONTINUITY SCHEDULE

Hydro One Distribution completed a review of its Group 1 and 2 DVA balances as at December 31, 2025 and provides the following explanations for variances between its RRR 2.1.7 filing and the DVA continuity schedule for the accounts below.

- Account 1588 – RSVA Power (excluding Global Adjustment): There is a debit variance of $40,932,553, between RRR 2.1.7 and the DVA continuity schedule. See the Consolidated Commodity Accounts Analysis Workform provided at Exhibit G-01-05, Attachment 3 for more details.
- Account 1589 – Global Adjustment: There is a debit variance of $293,131 between RRR 2.1.7 and the DVA continuity schedule. See the Consolidated Commodity Accounts Analysis Workform provided at Exhibit G-01-05, Attachment 3 for more details.
- Account “OEB Cost Assessment Differential Account”: There is a credit variance of $678,066 between RRR 2.1.7 and the DVA continuity schedule. The adjustment was recorded in 2026 as part of the reconciliation of the 2025 ending balance. The adjustment reflects the reassignment of amounts between Hydro One Distribution and Hydro One Transmission.

4.0 DISPOSITION OF HOSSM REGULATORY ACCOUNT BALANCES

Hydro One is seeking to return to ratepayers a total credit balance of $4.3M which is based on audited December 31, 2025 balances, adjusted for carrying charges anticipated through to the end of 2027. Please see Exhibit G-01-07, Attachment 3 for the HOSSM DVA Continuity Schedule.

Table 4 - Disposition of Regulatory Account Balances (HOSSM) ($)

Active Group 2 DVA	Account	Closing Principal Balance as at Dec 31, 2025 [10]	Total Interest as at Dec 31, 2027 [11]	Total Balance for Disposition as at Dec 31, 2027
OEB Cost Assessment Variance Account	1508	(210,511)	(42,879)	(253,390)
Property Tax and Use and Occupation Permit Fee Variance	1508	664,485	99,226	763,711
International Financial Reporting Standards (IFRS) Gains and Losses	1508	630,138	-	630,138
Tax Rate Changes Variance Account	1592	(1,658,410)	(204,104)	(1,862,514)
Aggregate Regulatory Assets	1595	-	(12,870)	(12,870)
ESM Deferral Account	2435	(3,306,681)	(240,759)	(3,547,439)
Total Regulatory Accounts Seeking Disposition		**(3,880,978)**	**(401,386)**	**(4,282,364)**

[10] Total closing principal balance as of December 31, 2025 includes audited 2025 principal balances, adjusted for 2026 OEB-approved dispositions.
[11] Total interest as of December 31, 2027 includes audited 2025 closing interest and projected interest on the December 31, 2025 ending balance (inclusive of 2026 OEB-approved dispositions).

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HYDRO ONE CONSOLIDATED DVA SCHEDULE

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RSVA ALLOCATION OF GROUP 1 BALANCES

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COMMODITY ACCOUNT WORKFORM FOR FISCAL YEAR 2023-2025

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ACCOUNT 1588 – LINE LOSS SPREADSHEET

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SCHEDULE OF ANNUAL RECOVERIES

Hydro One proposes to dispose of its regulatory balances, as follows:

- Transmission over a five-year period, starting on the proposed effective date of January 1, 2028
- Distribution Group 1 regulatory account balances over a one-year period, starting on the proposed effective date of January 1, 2028
- Distribution Group 2 regulatory account balances over a five-year period, starting on the proposed effective date of January 1, 2028
- HOSSM regulatory account balances over a five-year period, starting on the proposed effective date of January 1, 2028

Hydro One believes that a five-year disposition period for its Transmission, Distribution Group 2 and HOSSM regulatory balances, as opposed to the default disposition period of one year,[1] is aligned with the duration of the Custom IR term and allows for appropriate smoothing of bill impacts. Returning these credit balances over five years would help to offset higher rate increases that would otherwise be experienced by customers. This differs from the approach proposed for the Distribution Group 1 balances. Those balances were deferred from Hydro One's 2027 Annual Update Application (EB-2026-0049) for the reasons set out in that application. As Group 1 regulatory account balances are typically disposed of over a one-year period, Hydro One proposes disposition of the deferred Group 1 balances over a one-year period, effective January 1, 2028. The consistent disposition period across Hydro One Transmission, Distribution Group 2, and HOSSM promotes rate smoothing, regulatory consistency and administrative simplicity, while ensuring customers of all three entities benefit from a predictable rate mitigation approach.

The proposed Transmission bill impacts for Hydro One Transmission and HOSSM customers are shown in Exhibit H-09-01. This exhibit also shows the impacts on Retail Transmission Service Rates (RTSR) for Hydro One Distribution customers. The proposed

[1] Chapter 2 Filing Requirements for Electricity Distribution Cost of Service Applications – 2026 Edition for 2027 Rate Applications, section 2.9.1, December 16, 2025

Distribution bill impacts for Hydro One Distribution customers are shown in Exhibit L-06-01.

The annual refunds to customers are presented in Tables 1 to 4 below.

Table 1 - Schedule of Annual Recoveries for Transmission Regulatory Accounts

HYDRO ONE NETWORKS - TRANSMISSION Planned Disposition of Regulatory Accounts Schedule of Annual Refunds* Year Ending December 31 ($ M)						
	TOTAL	2028	2029	2030	2031	2032
Adjustment to Revenue Requirement	(295.3)	(59.1)	(59.1)	(59.1)	(59.1)	(59.1)

** Note: Above figures do not include interest improvement during the recovery period. Annual amounts may not sum to the total due to rounding.*

Table 2 - Schedule of Annual Recoveries for Distribution Group 1 Regulatory Accounts

HYDRO ONE NETWORKS – DISTRIBUTION (Group 1) Planned Disposition of Regulatory Accounts Schedule of Annual Refunds* Year Ending December 31 ($ M)						
	TOTAL	2028	2029	2030	2031	2032
Adjustment to Revenue Requirement	(209.8)	(209.8)				

** Note: Above figures do not include interest improvement during the recovery period.*

Table 3 - Schedule of Annual Recoveries for Distribution Group 2 Regulatory Accounts

HYDRO ONE NETWORKS – DISTRIBUTION (GROUP 2) Planned Disposition of Regulatory Accounts Schedule of Annual Refunds* Year Ending December 31 ($ M)						
	TOTAL	2028	2029	2030	2031	2032
Adjustment to Revenue Requirement	(14.2)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)

** Note: Above figures do not include interest improvement during the recovery period. Annual amounts may not sum to the total due to rounding.*

Table 4 - Schedule of Annual Recoveries for HOSSM Regulatory Accounts

HOSSM Planned Disposition of Regulatory Accounts Schedule of Annual Refunds* Year Ending December 31 ($ M)						
	TOTAL	2028	2029	2030	2031	2032
Adjustment to Revenue Requirement	(4.3)	(0.86)	(0.86)	(0.86)	(0.86)	(0.86)

** Note: Above figures do not include interest improvement during the recovery period.*

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CONTINUITY SCHEDULES - REGULATORY ACCOUNTS

Attachment 1: Transmission Continuity Schedule (provided as MS Excel file only)

Attachment 2: Distribution Continuity Schedule (provided as MS Excel file only)

Attachment 3: HOSSM Continuity Schedule (provided as MS Excel file only)

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HYDRO ONE TRANSMISSION DVA CONTINUITY SCHEDULE – GROUP 2 BALANCES

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HYDRO ONE DISTRIBUTION DVA CONTINUITY SCHEDULE - GROUP 1 AND 2 BALANCES

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HOSSM DVA CONTINUITY SCHEDULE

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PLAN TO IMPLEMENT ACCOUNTING GUIDANCE

1.0 OEB DIRECTIONS FROM 2024 PROCEEDING

In the OEB's Partial Decision and Rate Orders for Hydro One Distribution in EB-2023-0030 and Orillia and Peterborough Rate Zones (RZ) 2024 rates in EB-2023-0059, the OEB ordered Hydro One to present a plan with the costs and implications of fully adopting the OEB's Accounting Guidance on a prospective basis by no later than its 2028 Custom IR proceeding.[1]

Specifically,

> The OEB found it to be sub-optimal that Hydro One needed to create alternative solutions to meter reading calendarization (and perhaps for other charges and charge types as well) because it has currently adopted the Accounting Guidance in a modified manner (paraphrased).[2]

2.0 SUMMARY OF ISSUES TO BE ADDRESSED BY HYDRO ONE

The OEB's Accounting Guidance Related to Commodity Pass Through Accounts 1588 & 1589 (the OEB Accounting Guidance) requires actual calendar month customer volumes be used to perform the RPP settlement true-up claims with the IESO.[3] In addition, LDCs are required to complete a second true-up of each monthly RPP settlement once final calendar month retail sales values become available, updating the RPP and non-RPP allocation and the proportions attributable to each RPP rate point.

As actual calendarized data has not been readily available to Hydro One, the OEB initially approved the use of a modified approach in 2021 (until otherwise directed)[4], effectively allowing only one of two RPP true-ups and aggregating all periods instead of calendarizing the declaration. Since calendarization is required for the allocation of Class B GA charges

[1] EB-2023-0030, Partial Decision and Rate Order, June 13, 2024, p. 15; EB-2023-0059, Partial Decision and Rate Order, December 19, 2023, p. 21
[2] EB-2023-0030, Partial Decision and Rate Order, December 14, 2023, p. 21
[3] Accounting Procedures Handbook Update, Accounting Guidance Related to Commodity Pass Through Accounts 1588 & 1589, February 21, 2019, re-issued April 28, 2025, p. 10
[4] EB-2020-0030, Decision and Rate Order, December 17, 2020, revised Feb. 18, 2021, pp. 17-18

into RPP vs. non-RPP components, the modified approach has impacted this allocation and the resulting Commodity (Power) and GA costs.

Following the OEB's Partial Decision and Rate Orders in EB-2023-0030 and EB-2023-0059, Hydro One confirmed through pre-settlement clarifying questions during the 2024 HONI Dx proceeding that: [5]

- the proposed implementation date for fully adopting the OEB Accounting Guidance could not be determined with certainty at this point; and
- a discovery phase has been initiated on the requirements to adopt the OEB Accounting Guidance. Hydro One indicated that it believed: (i) a system reconfiguration is required, (ii) reporting tools and processes will need to be implemented or enhanced, and (iii) associated internal controls and review processes will need to be documented and approved.

Hydro One stated that it planned to work with OEB staff as it progressed toward full compliance with the OEB Accounting Guidance.

3.0 STEPS UNDERTAKEN BY HYDRO ONE TO ADDRESS CALENDARIZATION ISSUES

Below is a chronology of the actions that Hydro One has undertaken to investigate the issues since 2024.

Discovery Phase (2024 to 2026)

To investigate the issues associated with implementing a calendarized approach, Hydro One undertook a comprehensive discovery and assessment phase. The objective of this review was to develop an approach that would be compliant with OEB Accounting Guidance, operationally sustainable, and aligned with Hydro One's existing financial reporting and control framework.

[5] EB-2023-0030/EB-2023-0059, Hydro One Networks Inc., Responses to Pre-Settlement Clarification Questions, Response No. 15(c), May 24, 2024, p. 2.

As part of this process, Hydro One conducted a detailed review of relevant OEB guidance materials, including the OEB Accounting Guidance Related to Commodity Pass-Through Accounts 1588 and 1589, the Illustrative Commodity Model, and the February 21, 2019 Q&As for OEB Accounting Guidance on Accounts 1588 and 1589. A key area of focus was developing a clear understanding of the OEB's calendarization requirements within the context of the OEB Accounting Guidance. In addition, Hydro One reviewed approaches implemented by other electricity distributors in Ontario through their regulatory applications to better understand industry practices and interpretations of the OEB Accounting Guidance.

The discovery phase also included a review of Hydro One's existing regulatory reporting obligations and supporting processes, including:

- Monthly Regulated Price Plan (RPP) Declaration reporting requirements
- Consolidated Commodity Accounts Analysis Workform
- Related financial reporting and oversight processes

Hydro One reviewed its current accounting practices, business processes, and system capabilities to determine the feasibility of various implementation approaches. This assessment included:

- Existing reporting capabilities within SAP Business Intelligence/ Business Warehouse (BI/BW)
- Current accounting and settlement processes
- Future Enterprise Resource Planning (ERP) system upgrades. Specifically, the timing and impact of the OneCore Project
- The implementation costs, resource requirements, and operational impacts associated with potential solutions

The pending OneCore project was an important consideration, as the design and timing of any solution needed to account for future system architecture and avoid unnecessary duplication of effort or investment.

A detailed review of Hydro One's customer billing processes was completed as part of the discovery phase. Hydro One bills customers through 20 bill groups distributed throughout the month rather than on a single month end billing cycle. The high-level review considered billing timelines, resource peaks, and billing exceptions that could affect calendarization results, including delayed invoicing, estimated bills, cancellations and rebills, and other post billing adjustments.

Hydro One also assessed its customer base and billing structures, including Class A, Class B, Embedded Distributors and Retailer Enrolled customers, to understand how differing settlement methodologies and billing arrangements may influence the development of a calendarization approach. In addition, Hydro One reviewed Global Adjustment (GA) and Ontario Electricity Market Price (OEMP) rates to evaluate month-to-month rate volatility and assess the potential impact of rate fluctuations on calendarized reporting. Hydro One reviewed its no-bill processes and percent-billed analysis to assess the time required for substantially all consumption associated with a calendar month to be billed and available for reporting.

To support the evaluation of calendarization alternatives, Hydro One reviewed its available month end meter reading data and consulted with the IESO to obtain aggregated TOU readings, not currently available to Hydro One. Hydro One's IT assessment considered the feasibility of leveraging aggregated meter data for calendarization, including the challenges associated with managing, processing, and validating significantly larger volumes of data from different sources and integrating them with Hydro One's internal systems and reporting processes.

Finally, Hydro One investigated several methods for allocating actual billed commodity and GA charges from customer billing line items. The approaches reviewed included:

- Hydro One specific weighting key methodologies designed to reflect seasonal consumption patterns
- Straight-line proration
- Weighted-rate allocation approaches utilizing monthly GA, RPP and OEMP rates

For each methodology, Hydro One assessed its ability to appropriately allocate both consumption and associated dollars while maintaining consistency with accounting and settlement outcomes.

During the discovery phase, Hydro One established several key principles that any proposed solution would be required to satisfy:

- Compliance with OEB Accounting Guidance and expectations
- Alignment of commodity amounts and GA amounts with the underlying consumption quantities
- Use of Hydro One's audited billing records as the source of truth for sales data, with all related commodity and GA amounts reconciled to the general ledger
- Maintaining alignment with the RPP Declaration, Consolidated Commodity Accounts Analysis Workform, reconciliation, and control procedures

4.0 PROPOSED PLAN TO COMPLY WITH OEB'S ACCOUNTING GUIDANCE

For 2027 Annual Update

Treatment of Calendarized Class B GA Data - 2023 to 2026: Hydro One calendarized the relevant Class B GA data for its LDC and non-LDC customers for 2023, 2024, and 2025. Non-LDC Class B customers pay GA based on the first estimate GA rate, while LDC Class B customers pay GA based on the actual GA rate. To reflect these different GA billing treatments, the modified Commodity Accounts Analysis Workform applies the applicable GA rates to the calendarized consumption data for both LDC and non- LDC customer groups, so that the dollars are reconciled to the GA revenue recorded in the general ledger records.

For non-RPP customers, Hydro One's calendarization of GA is based on the GA amounts recorded for each customer in its billing system records. Where a billing period spans two or more calendar months, the billed GA amounts are allocated between the months using a straight-line proration approach for 2023-2024 and a weighted-rate allocation approach for 2025 due to the volatility in GA rates. The weighted-rate method utilizes the applicable monthly GA rates and the number of billing-period days attributable to each month. Hydro One then determines the corresponding monthly GA consumption by dividing the GA dollars allocated to each month by the relevant GA rate. This produces calendarized billed GA amounts and associated consumption by calendar month while preserving the total GA amounts recorded in the billing-system records.

Hydro One is continuing to apply the weighted-rate calendarization approach for 2026, and the resulting calendarized GA amounts and consumption will continue to support the GA analysis and reconciliation in future Workforms.

This treatment supports the analysis and reconciliation of Hydro One's 1589 balances. It is separate from Hydro One's plan to adopt OEB's Accounting Guidance prospectively.

Hydro One applied calendarization on a best-efforts basis for historical purposes. The historical process supported calendarized Class B GA data for the GA analysis but did not produce RPP commodity consumption by price point at the level required to complete the second RPP settlement true-up. The enhanced BI/BW-based process described in the following section is intended to address that limitation prospectively beginning with the January 2027 trade month.

Plan to Implement OEB's Accounting Guidance

Interim RPP Settlement Solution (Beginning in 2027): Hydro One plans to implement the interim solution beginning with the January 2027 trade month, subject to the successful completion of final testing and validation of the newly created BI/BW reports and their data outputs.

The interim solution will use billed commodity charges and GA charges from Hydro One's billing system as its foundational data source. New reports developed within SAP BI/BW will extract the relevant billing-period data and allocate the associated amounts to the applicable calendar months for regulatory reporting and settlement purposes.

The interim process will apply the same general billing-based, weighted-rate allocation approach described above through enhanced SAP BI/BW reporting, while extending the approach to the RPP commodity data required for the second RPP settlement true-up. Existing billing line item dollars will be allocated to the applicable calendar months using the relevant monthly rates and the number of billing-period days attributable to each month, including the following rates:

- Class B GA rates, including first-estimate and actual rates where applicable;
- RPP rates for the applicable RPP rate points; and
- Applicable commodity rates, including OEMP based rates for relevant non-RPP customers.

For RPP customers, the process will apply this approach to calendarize billed commodity data by the relevant RPP rate point. For non-RPP customers, the interim process will continue with the GA calendarization approach and extend it to calendarize the applicable commodity data, using the rates and billing treatment applicable to those customers.

The interim solution is intended to produce calendarized RPP and non-RPP commodity data, together with the associated GA data, required to support the second RPP settlement true-up. Once sufficiently complete and reviewed calendarized data is available for an applicable trade month, Hydro One will use that data to perform the second RPP settlement true-up in accordance with the applicable IESO settlement timelines. The modified Workform methodology described above will continue to support the annual analysis and reconciliation of Hydro One's Accounts 1588 and 1589 balances.

Because the interim process uses billing-system data and weighted-rate allocation, Hydro One will monitor the impacts of the new process on settlement outcomes and assess

whether additional true-up adjustments or refinements are required to address any material variances.

Hydro One will investigate material differences, including differences arising from cancellations and rebills, rate changes, and other known reconciling factors. Where necessary, Hydro One will refine the calendarization process and assess any resulting implications for RPP settlement, the Commodity Accounts Analysis Workform, and Accounts 1588 and 1589.

The interim BI/BW solution will remain in place until the necessary functionality becomes operational through OneCore. The systems, data, process, and control changes required to implement and operate the interim solution are described in section 5 below.

Future-State OneCore Solution - Following OneCore Implementation: Once the required OneCore functionality becomes operational, Hydro One expects to transition from the interim BI/BW solution to a OneCore enabled future state solution. Hydro One expects to leverage enhanced system capabilities to further improve and modernize the calendarization process. The future state solution is anticipated to provide more automated access to the calendarized consumption and associated GA and commodity amounts required for the RPP settlement process, subject to final design and implementation. This would support the continued use of calendarized RPP and non-RPP commodity data, including the performance of the second RPP settlement true-up, while reducing reliance on the interim reporting and calculation processes.

The design and implementation of the future state solution will depend on the functionality delivered through OneCore. Under the current plan, the OneCore project is anticipated to continue through 2032, subject to ongoing review and potential changes. The transition will preserve the reconciliation, review and control requirements supporting Hydro One's Account 1588 and Account 1589 balances. The modified Commodity Accounts Analysis Workform will continue to be used for the annual analysis and reconciliation of Hydro

One's Account 1588 and Account 1589 balances, unless the OEB revises the Workform or its requirements.

On September 18, 2026, Hydro One met with OEB staff to present a walkthrough of the proposed plan, as summarized above, to implement the OEB's Accounting Guidance. A copy of the presentation is provided at Attachment 1 of this Exhibit.

Market Renewal Program (MRP)

Hydro One assessed whether the required Accounting Guidance updates could be incorporated into the IESO's Market Renewal Program (MRP). Following further analysis, Hydro One determined that MRP was not an appropriate implementation opportunity. MRP was a significant IESO led initiative with evolving requirements that required substantial Hydro One resources and system changes. Hydro One also found limited overlap between the MRP's main objectives and the calendarization specific requirements under the OEB Accounting Guidance. In addition, the IESO advised that participants should expect a learning curve and implementation complexities as the new market processes were introduced.

Hydro One therefore concluded that a separate, dedicated solution, as described in the plan to achieve compliance with the Accounting Guidance, represented the most practical and lowest risk path to compliance. Separating the initiatives reduces implementation risk, avoids unnecessary complexity during a major market transformation, and supports the successful delivery of both the MRP and the OEB Accounting Guidance requirements.

5.0 CHANGES TO SYSTEMS AND FRAMEWORKS

To implement the interim solution and achieve compliance with the OEB Accounting Guidance, Hydro One will introduce enhancements to its reporting framework and settlement processes. The proposed solution does not require changes to Hydro One's customer billing system. Instead, the required functionality will be implemented through enhancements to existing reporting tools and processes.

The interim solution will utilize billed commodity charges and GA charges from Hydro One's billing system as its foundational data source. New reports within BI/BW will extract the relevant billing-period data and allocate the associated commodity and GA amounts to the applicable calendar month for regulatory reporting purposes.

As described above, the calendarization methodology for commodity and GA will be based on a weighted-rate allocation approach at the billed dollar level. Existing billing line items will be allocated to the applicable calendar month, and associated dollars will be allocated using monthly rates, including:

- Class B GA rates (both first estimate and actual, where applicable)
- RPP rates, including Time-of-Use (TOU), Ultra-Low Overnight (ULO), and Tiered pricing structures
- Average Ontario Electricity Market Price (OEMP), applicable to the billing period

Hydro One then determines the corresponding monthly consumption for settlement and reconciliation purposes by dividing the dollars allocated to each month by the relevant rates. This produces calendarized billed amounts and associated consumption by calendar month while preserving the total amounts recorded in the general ledger.

Implementation of the proposed calendarization methodology will enable Hydro One to perform the second RPP true-up and incorporate the resulting adjustments into downstream regulatory processes, including the RPP Declaration and Commodity Accounts Analysis Workform. The second RPP true-up is expected to be included in Hydro One’s RPP settlement claim submitted to the IESO in the third month following the applicable trade month.

Subject to successful completion of testing and validation, the interim solution is expected to support Hydro One’s full compliance with the OEB Accounting Guidance and align with its accounting and control framework by:

- using actual billed commodity and GA charges as the basis for calendarization;

- maintaining alignment between calendarized consumption volumes and the associated dollar amounts;
- producing the final calendar month RPP and non-RPP proportions required to complete the second RPP settlement true-up;
- relying on Hydro One's source-of-truth billing data;
- providing for reconciliation of the calendarized output to the corresponding billing records and applicable general ledger accounts, with reconciling differences identified and explained; and
- supporting the Consolidated Commodity Accounts Analysis Workform and related reconciliation and regulatory reporting requirements.

6.0 COST OF IMPLEMENTATION

The implementation costs associated with the interim solutions of adopting the OEB Accounting Guidance were assessed and determined to be immaterial. Accordingly, Hydro One is not seeking a deferral account to record or recover these costs, as it had contemplated in prior rate proceedings.[6] The cost of implementation will be managed within existing operational budgets.

[6] 2021 Custom IR proceeding (EB-2020-0030) and 2024 Custom IR proceeding (EB-2023-0030)

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Walkthrough of Proposed Plan to Achieve Compliance with OEB's Accounting Guidance

September 2026

Meeting Objectives

1. Background of OEB’s orders in Hydro One's 2024 Annual Update Rates Decision (EB-2023-0030/EB-2023-0059) and 2026 Annual Update Rates Decision (EB-2025-0030)

2. Present proposed approach

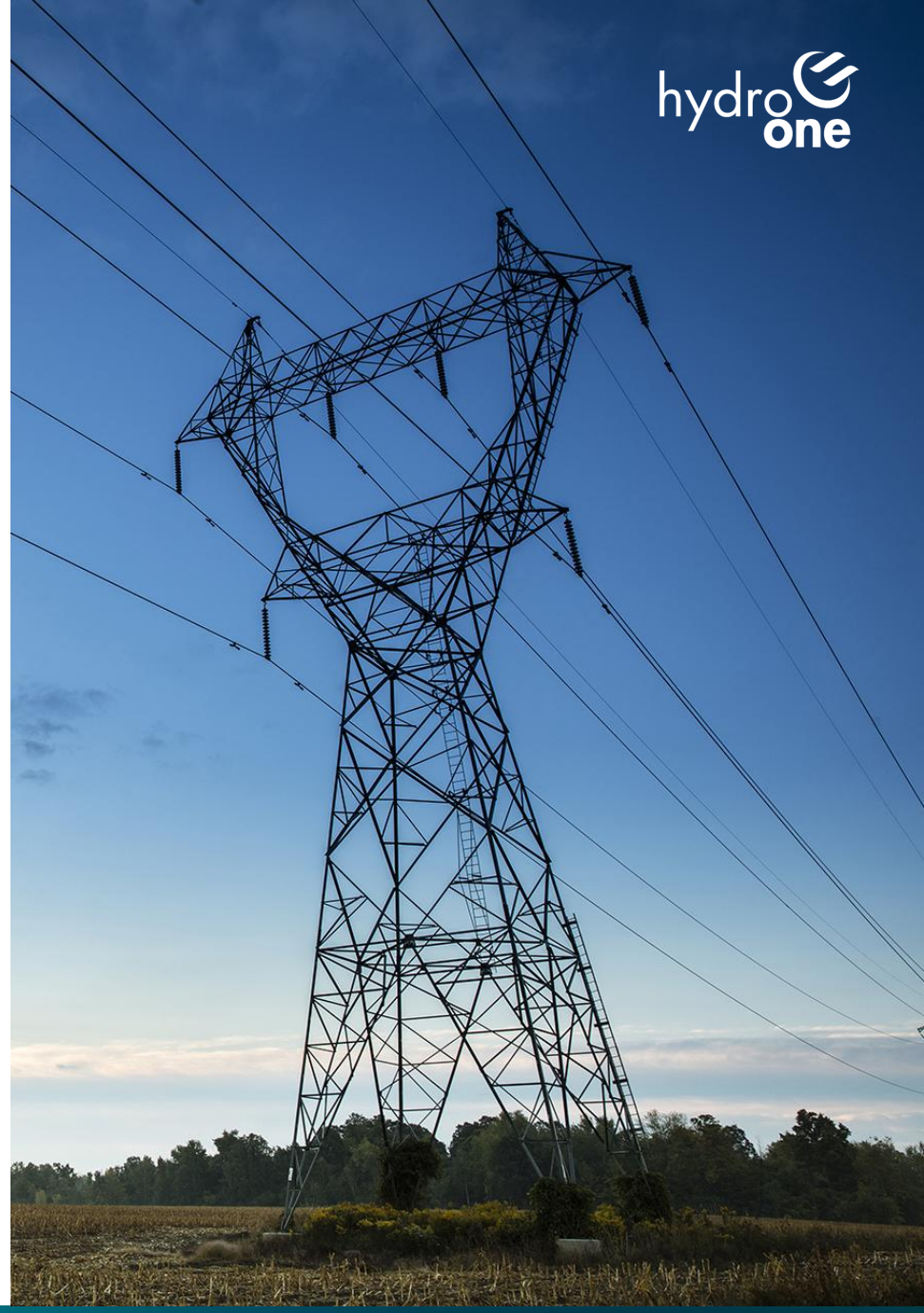
3. Solicit input or feedback from OEB staff on proposed approach

OEB's Orders from 2024 and 2026 Partial Decisions

- In the 2024 Partial Decision and Order, the OEB ordered Hydro One to present a plan with the costs and implications of fully adopting the OEB's Accounting Guidance on a prospective basis by no later than its 2028 Custom IR proceeding.

- Hydro One confirmed that it will file the plan as part of the 2028 rebasing application and will work with OEB staff to be in full compliance with the Accounting Guidance

- In the 2026 Partial Decision and Order, the OEB acknowledged Hydro One's intention to meet with OEB staff in 2026 to: (i) confirm the approach to calendarize the data prior to implementation, and (ii) inform and validate the approach to develop the modified Commodity Accounts Analysis Workform



Approach to Comply with the OEB's Accounting Guidance

Issues to be Addressed by Hydro One

- The OEB Accounting Guidance requires actual calendar month customer volumes be used to perform the RPP true-up claims with the IESO

- Hydro One is required to complete a second true-up of each monthly RPP settlement once final calendar month retail sales values become available, updating the RPP and non-RPP allocation and the proportions attributable to each RPP rate point



Discovery Phase

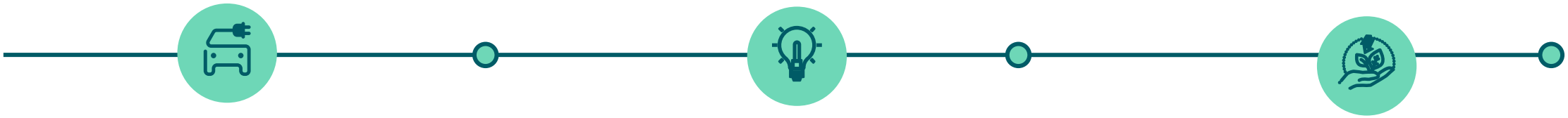
Key Considerations

- OEB Accounting Guidance Related to Commodity Pass-Through Accounts 1588 and 1589, the Illustrative Commodity Model, and the Q&As for Accounting Guidance on Accounts 1588 and 1589
- Approaches implemented by other electricity distributors
- Current accounting practices, business processes, and system capabilities
- Pending OneCore project
- Customer base & billing structure
- GA & OEMP rate volatility
- Availability of month end meter reading data and IESO aggregated TOU reads

Key Principles

1. Compliance with OEB Accounting Guidance and expectations
2. Alignment of commodity amounts and Global Adjustment amounts with the underlying consumption quantities
3. Use of Hydro One's audited billing records as the source of truth for sales data, with all related commodity and Global Adjustment amounts reconciled to the general ledger
4. Maintaining alignment with the RPP Declaration, Commodity Accounts Analysis Workform, reconciliation, and control procedures

Roadmap



CURRENT STATE	INTERIM STATE	FUTURE STATE
Accrual Method	Weighted-rate allocation method for calendarization	OneCore solution
1st RPP True up Declared	2nd RPP True up Declared	2nd RPP True up Declared

Overview of Interim Approach

- **Objective**
  - Produce calendarize data for the 2nd RPP True-Up & Commodity Accounts Analysis Workform
    - Allocate billed Commodity and Global Adjustment (GA) values to the best of our ability to the calendar month in which the energy was consumed, rather than the month in which the bill was issued
- **Source Data**
  - Based on customer bill documents that have been posted to the General Ledger
- **Overview of Calendarization Approach**
  - Where a billing period spans two or more calendar months, the billed Commodity & GA amounts from the bill document are allocated between the months using a weighted-rate allocation approach
  - Hydro One then determines the corresponding monthly consumption by dividing the GA & Commodity dollars allocated to each month by the relevant rate
    - This produces calendarized billed amounts and associated consumption by calendar month while preserving the total amounts recorded in the general ledger

Weighted-Rate Allocation: rate application

- **Commodity Charges**
  - RPP
    - Actual RPP rates are used as the weighting factor by RPP rate point
      - 2Tier (tier 1, tier 2)
      - TOU (off-peak, mid-peak, on-peak)
      - ULO (ultra-low overnight, weekend off-peak, mid-peak, on-peak)
  - Non-RPP
    - Spot & Retailer Enrolled
    - Average OEMP monthly rate is used as the weighting factor
    - The average OEMP rate(s) used is specific to the billing period of each bill document
      - Based on the corresponding hourly OEMP values in each calendarized period in the bill document
- **Global Adjustment Charges**
  - Non-LDC customers
    - Class B 1st GA Estimate used as the weighting factor
  - LDC customers
    - Actual GA used as the weighting factor

Weighted-Rate Allocation: outcome

- **2nd RPP True-up Declaration**
  - Declaration to IESO will be on the fourth month following the trade/calendar month
    - Will be monitored for any material impacts to the RPP Settlement Process
    - Subject to the successful completion of final testing, plan to implement for January 2027 trade month
- **Commodity Accounts Analysis Workform**
  - The same calendarized values declared in the 2nd RPP True-up will be applied to the modified Workform for 2027
  - Workaround to apply calendarization to the Workform for GA for 2023-2026 [2023-2025 filed Workform HONI_Dx_A-04-06-01, Supporting GA schedule details]

The Weighted-Rate Allocation Results in:

- Alignment to the OEB Accounting Guidance and Illustrative Commodity Model
- Allocates revenue to the appropriate calendar month
- Reflects monthly Commodity and GA rate volatility
- Preserves the total billed revenue originally recorded in the general ledger

Cost of Implementation

- **Interim Solution**
  - Immaterial
  - Hydro One is not seeking a deferral account to record or recover these costs, as it had initially contemplated in prior rate proceedings
  - The expenditures will be managed within existing operational budgets

Approach to Modify Consolidated Commodity Accounts Analysis Workform

Modified Workform: Plug → Forward Calculation

Addressing OEB Staff's Reasonability Concern on GA Revenue

Key Issue

OEB Staff were concerned about the original Workform's "plug" method — it could not verify the accuracy of GA revenue recorded in the general ledger.

Our Response: Added detail to tabs **"GA 2023 Item 10," "GA 2024 Item 8," "GA 2025 Item 8"** showing a forward calculation of GA revenue per year, using calendarized data from **Customer Service Operations (CSO)**, anchored to billing documents.

How the Forward Calculation Works

1

Monthly Build-Up

GA revenue $ calculated each month from calendarized (CSO) consumption, anchored to billing documents

2

Reconcile to GL

Sum of monthly amounts reconciled to the annual general ledger balance — proving GL accuracy

3

Compare to Note 4

Supported GL balance is then compared against the OEB's Note 4 calculation

Outcome: Replaces an unverifiable aggregate plug with a transparent, traceable build-up — showing how Hydro One's actual accounting/billing practice deviates from the OEB's high-level Note 4 estimation calculation.

Quantified reconciling items: 2023 – $25,995,070 (GA 2023 Item 10) | 2024 – $13,507,383 (GA 2024 Item 8) | 2025 – $12,721,376 (GA 2025 Item 8)