EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

EXHIBIT 9 – DEFERRAL AND VARIANCE ACCOUNTS

Table of Contents

9.1 OVERVIEW....8

9.1.1 Identification of Deferral and Variance Accounts....9

Table 9-1– Identification of Deferral and Variance Accounts....11

9.1.2 Interest Rates....12

Table 9-2 – Quarterly Board Approved Prescribed Interest Rates for Deferral and Variance Accounts used in calculating Carrying Charges....12

9.2 RECONCILIATION OF DEFERRAL AND VARIANCE ACCOUNT BALANCES....13

9.2.1 Reconciliation of Group 1 Deferral and Variance Account Balances....13

Table 9-3 – Reconciliation of Group 1 Deferral and Variance Accounts....13

9.2.1.1 Account 1580 RSVA – Wholesale Market Service Charge....14

Table 9-4 Reconcile 1580 RSVA WMS Variance....14

9.2.1.2 Account 1588 RSVA – Power....14

Table 9-5 Reconcile 158 RSVA Power Variance....14

9.2.1.3 Account 1589 RSVA – Global Adjustment....15

Table 9-6 Reconcile 1589 RSVA Global Adjustment Variance....15

9.2.2 Reconciliation of Group 2 Deferral and Variance Account Balances....15

Table 9-7 – Reconciliation of Group 2 Deferral and Variance Accounts....16

9.2.2.1 Account 1508 Getting Ontario Connected Act Variance 16
9.2.2.2 Account 1508 LEAP EFA Funding Deferral 16
9.2.2.3 Account 1508 Green Button Net Revenue Deferral 16
9.2.2.4 Account 1508 Advance Capital Module 17
9.2.2.5 Account 1509 Impacts Arising from the COVID-19 Emergency 17
9.2.2.6 Account 1511 Incremental Cloud Computing Implementation Costs 17
9.2.2.7 Account 1592 PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes 17
9.3 DISPOSITION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES..... 18
Table 9-8 – Group 1 Deferral and Variance Accounts Submitted for Disposition with this Application 19
9.3.1 Disposition of Account 1551 Smart Metering Entity Charge Variance 20
9.3.2 Disposition of Account 1580 Retail Settlement Variance Account – Wholesale Market Service Charges 20
9.3.3 Disposition of Account 1580 RSVA - WMS, Sub-account Capacity Based Recovery Class B Variance 20
9.3.4 Disposition of Account 1584 Retail Settlement Variance Account – Retail Transmission Network 21
9.3.5 Disposition of Account 1586 Retail Settlement Variance Account – Retail Transmission Connection 22
9.3.6 Disposition of Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment 22
Table 9-9 – Commodity Variances Proposed for Disposition 24
9.3.6.1 Account 1588 Retail Settlement Variance Account – Power 24
9.3.6.2 Account 1589 Retail Settlement Variance Account – Global Adjustment 24
9.3.6.3 Class A and Class B Customers 25
9.3.6.4 Commodity Accounts Analysis Work Form 26
Table 9-10 – Commodity Principal Adjustments 28
9.3.6.5 Two-year Limitation Period 28

9.3.7 Account 1595 Disposition and Recovery/Refund of Regulatory Balances 28

Table 9-11 – Default 2022 Allocation of DVA Balances for Disposition 29

Table 9-12 – 1595 Remainder Balance Allocated Using the Original 2022 Allocation Percentage ... 30

Table 9-13 – 1595 Remainder Balance 31

Table 9-14 – Proposed Allocation Factor for 1595(2022) Balance 31

Table 9-15 – Proposed Allocation of 1595(2022) Balance 32

9.4 DISPOSITION OF GROUP 2 DEFERRAL AND VARIANCE ACCOUNT BALANCES..... 33

Table 9-16 – Group 2 Deferral and Variance Accounts Submitted for Disposition with this Application 34

9.4.1 Account 1508 Other Regulatory Assets - Sub-Account OPEB Actuarial Gains or Losses Deferral Account 35

9.4.2 Account 1508 Other Regulatory Asset – Sub Account Getting Ontario Connected Act (GOCA) Variance 36

Table 9-17 - Locate Costs Approved in Base Rates and Escalation for 1508 Sub Account - GOCA 37

Table 9-18 - Locate Costs - Related to Bill 93 37

Table 9-19 - Locate Balances in Uniform System of Accounts 38

Table 9-20 - Account 1508 Sub Account Getting Ontario Connected Act Disposition Calculation 39

9.4.3 Account 1508 Incremental LEAP EFA Contributions 39

Table 9-21 - LEAP EFA Balances in Uniform System of Accounts 40

Table 9-22 - Account 1508 Sub Account LEAP EFA Funding Disposition Calculation 40

9.4.4 Account 1508 Green Button Net Revenue Deferral 41

Table 9-23 - Green Button Net Revenue Calculations 41

Table 9-24 - Account 1508 Sub Account Green Button Net Revenue Deferral Account Disposition. 42

9.4.5 Account 1508 Advance Capital Module (ACM) 42

Table 9-25 – ACM Rate Rider Revenues 43

Table 9-26– Proposed Refund to Customers 43

9.4.6 Account 1509 Impacts Arising from the COVID-19 Emergency 44

Table 9-27 - Summary of Costs Recorded in Account 1509 - Impacts Arising from the COVID-19 Emergency 45
9.4.6.1 Waived Late Payment Charges 45
9.4.6.2 Costs Associated with Billing and System Changes 45
9.4.6.3 Bad Debts 46
9.4.6.4 LEAP Funding 46
9.4.6.5 Incremental OM&A Expenditures 46
9.4.6.6 Postponement of Disposition 47
Table 9-28 - Account 1509 Impacts Arising from the COVID-19 Emergency Disposition Calculation 47
9.4.7 Account 1511 Incremental Cloud Computing Implementation Costs Deferral 48
Table 9-29 - Account 1511 Incremental Cloud Computing Implementation Costs Summary 49
Table 9-30 - Account 1511 Incremental Cloud Computing Implementation Costs Disposition Calculation 49
9.4.8 Account 1522 Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account 50
Table 9-31 - Summary of OPEB Forecast Accrual vs. Actual Cash Payments 51
Table 9-32 - Account 1522 Pension & OPEB Forecast Accrual vs. Actual Cash Payment Differential Carrying Charges Disposition Calculation 51
9.4.9 Account 1592 PILs and Tax Variances, Sub-account – CCA Changes 52
9.4.9.1 Impact to Account 1592 in 2022 and 2027 52
Table 9-33 - Summary of CCA Changes Due (to)from Customers 54
Table 9-34 - Account 1592 PILs and Tax Variance - Sub Account CCA Changes Disposition Calculation 54
9.5 METHODS OF DISPOSITION OF DVA BALANCES 55
Table 9-35 – Summary of Proposed DVA Balance Allocations 55
9.5.1 Group 1 Accounts 56
9.5.1.1 Proposed method of disposition for Rate Rider for DVA Balances 56

9.5.1.2 Proposed method of disposition for Rate Rider for DVA Balances to Non-WMP Customers 57
9.5.1.3 Proposed method of disposition for Rate Rider for RSVA Global Adjustment 57
9.5.1.3.1 Proposed Direct Settlement for RSVA Global Adjustment – Transition Customers 57
9.5.1.4 Proposed disposition method for Rate Rider for RSVA WMS – Sub-account CBR Class B 58
9.5.1.4.1 Proposed Direct Settlement for RSVA WMS – Sub-account CBR Class B – Transition Customers 58
9.5.2 Group 2 and Other Accounts 58
9.5.2.1 Proposed method of disposition for Rate Rider for Group 2 Accounts 59
9.5.2.2 Proposed method of disposition for Rate Rider for ACM Refund 59
9.5.2.3 Proposed method of disposition for Rate Rider for Account 1509 Impacts Arising from the COVID-19 Emergency 60
9.6 PROPOSED RATE RIDERS 61
9.6.1 Group 1 Accounts 61
Table 9-36– Group 1 Allocated DVA Balances for Disposition 61
9.6.1.1 Proposed Rate Rider for Deferral / Variance Account Balances (excluding Global Adj.) 62
Table 9-37 – Rate Rider Calculation for DVA Balances 62
9.6.1.2 Proposed Rate Rider for Deferral / Variance Account Balances Non-WMP 62
Table 9-38 – Rate Rider Calculation for DVA Balances to Non-WMP Customers 62
9.6.1.3 Proposed Rate Rider for Global Adjustment 63
Table 9-39 – Rate Rider Calculation for RSVA Global Adjustment 63
9.6.1.4 Proposed Direct Settlement for RSVA Global Adjustment – Transition Customers 63
Table 9-40 – Proposed Direct Settlement for RSVA GA – Transition Customers 64
9.6.1.5 Proposed Rate Rider for Account 1580 RSVA WMS, Sub-account CBR Class B 64
Table 9-41 – Rate Rider Calculation for Account 1580 RSVA WMS, Sub-account CBR Class B 65
9.6.1.6 Proposed Direct Settlement for Account 1580 RSVA WMS, Sub-account CBR Class B – Transition Customers 65
Table 9-42 – Proposed Direct Settlement for RSVA WMS Sub-account CBR Class B – Transition Customers 66

9.6.2 Group 2 and Other Accounts 66
Table 9-43 – Group 2 Allocated DVA Balances for Disposition 66
9.6.2.1 Proposed Rate Rider for Group 2 Accounts 67
Table 9-44 – Rate Rider Calculation for Group 2 Accounts 67
9.6.2.2 Proposed Rate Rider for ACM Refund 67
Table 9-45 – Proposed Rate Rider for ACM Refund 68
9.6.2.3 Proposed Rate Rider for Account 1509 Impacts Arising from the COVID-19 Emergency 68
Table 9-46 – Proposed Rate Rider for Account 1509 68
9.7 REQUEST FOR APPROVAL OF THE USE OF NEW VARIANCE ACCOUNTS 69
9.8 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT FOR NWS ACTIVITIES 70
9.9 ENERGY SALES AND COST OF POWER 71
Table 9-47 – Cost of Power 72
Table 9-48 – Energy Sales 72
APPENDIX 9-1 CCA CONTINUITY SCHEDULES (LIVE EXCEL) 73
APPENDIX 9-2 DEFERRAL AND VARIANCE ACCOUNT WORKFORM (LIVE EXCEL) 74
APPENDIX 9-3 ACM REFUND RATE RIDER CALCULATION (LIVE EXCEL) 75
APPENDIX 9-4 COMMODITY ACCOUNTS ANALYSIS WORKFORM (LIVE EXCEL) 76

9.1 OVERVIEW

London Hydro currently has existing Board-approved Rate Riders for the disposition of Group 1 deferral and variance account (DVA) balances (audited December 2024 principal balances and carrying charges to April 30, 2026), set out in the Board's Decision in London Hydro's 2026 IRM Application (EB-2025-0023) for the period of May 1, 2026 to April 30, 2027.

London Hydro has included in this Application a request for disposition of audited Group 1 and Group 2 DVA balances as of December 31, 2025, with forecast Group 2 deferral balances for 2026 where applicable, and the forecasted interest through to April 30, 2027.

London Hydro is requesting disposition of the DVA balances, including interest, over a one-year recovery/refund period commencing May 1, 2027 through proposed rate riders.

The forecasted interest on December 31, 2025 principal balances of the DVA balances is calculated using the Board's prescribed rate of 2.55% for the period of January 1, 2026 to April 30, 2027.

This schedule contains descriptions of the DVAs for which London Hydro is requesting disposal through Deferral and Variance Account Rate Riders.

London Hydro is not requesting recovery of the Deferral and Variance Accounts previously approved for recovery with disposition period that had not expired as of December 31, 2025 as part of this Application.

London Hydro is not requesting new DVAs in this Application.

London Hydro confirms that it had not made any adjustment to deferral and variance account balances that were previously approved by the OEB on a final basis in Cost of Service and IRM proceedings.

London Hydro confirms it has not used any of the DVAs differently than as described in the Accounting Procedures Handbook (APH), the relevant accounting order or another OEB document.

London Hydro used the OEB's 2027 Deferral and Variance Account Continuity Schedule Work Form – Version 1.0 (2027 DVA Continuity Schedule) to calculate the proposed rate riders. London Hydro also created the ACM Refund Rate Rider Calculation workbook to calculate the proposed ACM Refund Rate Riders outside of the 2027 DVA Continuity Schedule.

9.1.1 Identification of Deferral and Variance Accounts

London Hydro listed the outstanding deferral and variance accounts in Table 9-1 with balances as at December 31, 2025 and the proposed claim, as well as their status with explanations.

The DVA's not requested for disposition include:

- The remaining balance of Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2021), which was approved for disposition with the 2026 IRM Decision and Rate Order – EB-2025-0023.
- The remainder balances on Accounts 1595 Disposition and Recovery/Refund of Regulatory Balances from 2023, 2024 and 2025, they are not eligible for disposition with this application.
- Sub-Account 1508 OPEB Actuarial Gains or Losses Deferral Account balance is not proposed for disposition.

Accounts proposed to be discontinued include:

- The remaining balance of Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2021). These balances were fully disposed of in 2026 and the account is no longer required.

- The remainder balance on Account 1595 Disposition and Recovery/Refund of Regulatory Balances (2022) is proposed for disposition in this application, and will no longer be required upon disposition.

- Account 1508 Getting Ontario Connected Act (GOCA) Variance Account full balance is proposed for disposition, including 2026 forecasted incremental costs. The account is no longer required upon disposition.

- Account 1508 LEAP EFA Funding Deferral Account balance is proposed for disposition including the expected 2026 deferred funds, and therefore, the account is no longer required upon disposition.

- Account 1508 Green Button Net Revenue Deferral Account was established for the period of January 1, 2025 to December 31, 2026. The account is not expected to be in use beyond 2026, and proposed to be fully disposed of and discontinued.

- Account 1508 Advanced Capital Module (ACM) Refund balance contains all collected and the expected revenues from the ACM rate riders approved for collection effective May 1, 2024 to the next Cost of Service rate order. The account is no longer required upon disposition.

- Account 1509 Impacts Arising from the COVID-19 Emergency total balance is proposed for disposition and the deferral account is no longer required upon disposition.

- Account 1511 Incremental Cloud Computing Implementation Costs (ICC) is in effect until the utility's next Cost of Service rebasing. The total balance is proposed for disposition, including the 2026 forecasted costs. The account is no longer required upon disposition.

Table 9-1– Identification of Deferral and Variance Accounts

DEFERRAL AND VARIANCE ACCOUNTS SUMMARY AND STATUS								
Outstanding Deferral and Variance Accounts	USoA	Principal	Interest	RRR 2.1.7 Dec. 31, 2025	Proposed for Disposition	Claim	Continue / Discountinue	Explanation
		$	$	$		$		
GROUP 1 Accounts								
Smart Metering Entity Charge Variance Account	1551	(208,596)	(8,498)	(217,094)	Yes	(74,962)	Continue	Ongoing
RSVA - Wholesale Market Service Charge	1580	(5,939,802)	(27,174)	(5,966,977)	Yes	(5,419,432)	Continue	Ongoing
Variance WMS – Sub-account CBR Class B	1580	2,641,169	59,440	2,700,609	Yes	1,445,045	Continue	Ongoing
RSVA - Retail Transmission Network Charge	1584	5,232,104	165,017	5,397,121	Yes	2,622,644	Continue	Ongoing
RSVA - Retail Transmission Connection Charge	1586	999,829	26,683	1,026,511	Yes	759,522	Continue	Ongoing
RSVA - Power	1588	2,480,649	255,317	2,735,966	Yes	1,706,492	Continue	Ongoing
RSVA - Global Adjustment Class B	1589	(423,511)	24,804	(398,706)	Yes	(5,546,770)	Continue	Ongoing
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	235,371	124,957	360,328	No	-	Discountinue	No longer required, fully disposed
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	152,713	70,795	223,508	Yes	228,682	Discountinue	No longer required upon disposition
Disposition and Recovery/Refund of Regulatory Balances (2023)	1595	-	254,546	254,546	No	-	Continue	Ongoing
Disposition and Recovery/Refund of Regulatory Balances (2024)	1595	-	(350,150)	(350,150)	No	-	Continue	Ongoing
Disposition and Recovery/Refund of Regulatory Balances (2025)	1595	717,371	429,852	1,147,222	No	-	Continue	Ongoing
Total GROUP 1 Accounts		5,887,296	1,025,588	6,912,883		(4,278,778)		
GROUP 2 and Other Accounts								
OPEB Actuarial Gains or Losses Deferral Account	1508	(7,803,100)	-	(7,803,100)	No	-	Continue	Continue according to Accounting Order
Getting Ontario Connected Act Variance Account	1508	937,456	97,419	1,034,875	Yes	1,386,193	Discountinue	No longer required upon disposition
LEAP EFA Funding Deferal Account	1508	900,000	25,718	925,718	Yes	1,516,277	Discountinue	No longer required upon disposition
Green Button Net Revenue Deferral Account	1508	(86,540)	(724)	(87,265)	Yes	(210,403)	Discountinue	No longer required upon disposition
Advanced Capital Module	1508	(181,607)	(4,721)	(186,328)	Yes	(341,769)	Discountinue	No longer required upon disposition
Impacts Arising from the COVID-19 Emergency	1509	783,397	126,309	909,705	Yes	936,250	Discountinue	No longer required upon disposition
Incremental Cloud Computing Implementation Costs	1511	1,526,626	34,787	1,561,413	Yes	2,462,381	Discountinue	No longer required upon disposition
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	-	(50,811)	(50,811)	Yes	(100,030)	Continue	Continue to utilize according to APH
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(625,775)	(152,779)	(778,554)	Yes	(799,757)	Continue	Continue to utilize according to APH
Total GROUP 2 Accounts		(4,549,543)	75,198	(4,474,345)		4,849,141		
TOTAL DVA BALANCES		**1,337,752**	**1,100,786**	**2,438,538**		**570,363**		

9.1.2 Interest Rates

London Hydro used the Board prescribed interest rates, listed in Table 9-2, for the respective quarterly period to calculate the carrying charges for each regulatory deferral and variance accounts.

Table 9-2 – Quarterly Board Approved Prescribed Interest Rates for Deferral and Variance Accounts used in calculating Carrying Charges

PRESCRIBED INTEREST RATES			
Quarter	Interest Rate	Quarter	Interest Rate
2020 QTR 1	2.18%	2024 QTR 1	5.49%
2020 QTR 2	2.18%	2024 QTR 2	5.49%
2020 QTR 3	0.57%	2024 QTR 3	5.20%
2020 QTR 4	0.57%	2024 QTR 4	4.40%
2021 QTR 1	0.57%	2025 QTR 1	3.64%
2021 QTR 2	0.57%	2025 QTR 2	3.16%
2021 QTR 3	0.57%	2025 QTR 3	2.91%
2021 QTR 4	0.57%	2025 QTR 4	2.91%
2022 QTR 1	0.57%	2026 QTR 1	2.55%
2022 QTR 2	1.02%	2026 QTR 2	2.55%
2022 QTR 3	2.20%	2026 QTR 3	2.55%
2022 QTR 4	3.87%	2026 QTR 4	2.55%
2023 QTR 1	4.73%	2027 QTR 1	2.55%
2023 QTR 2	4.98%	2027 QTR 2	2.55%
2023 QTR 3	4.98%		
2023 QTR 4	5.49%		

9.2 RECONCILIATION OF DEFERRAL AND VARIANCE ACCOUNT BALANCES

9.2.1 Reconciliation of Group 1 Deferral and Variance Account Balances

Table 9-3 lists the outstanding Group 1 DVAs and sub-accounts, with audited balances documented in London Hydro's Audited Financial Statements and reported pursuant to section 2.1.7 of the Board's Reporting and Record-keeping Requirements (Trial Balance) as at December 31, 2025. The accounts are grouped according to the sections within which they are described in this Exhibit.

Table 9-3 – Reconciliation of Group 1 Deferral and Variance Accounts

RECONCILIATION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS								
Account Description	Account Number	Principal Balance Dec 31, 2025	Principal Adjustments	Adjusted Principal Balance Dec 31, 2025	Interest to Dec 31, 2025	Adjusted Ending Balance Dec 31, 2025	Continuity Schedule RRR 2.1.7 as of Dec. 31, 2025	Variance RRR vs. 2025 Balance (Principal + Interest)
		$	$	$	$	$	$	$
GROUP 1 Accounts								
Smart Metering Entity Charge Variance	1551	(208,596)		(208,596)	(8,498)	(217,094)	(217,094)	-
RSVA - Wholesale Market Service Charge*	1580	(5,939,802)		(5,939,802)	(27,174)	(5,966,977)	(3,266,368)	2,700,609
Variance WMS – Sub-account CBR Class B	1580	2,641,169		2,641,169	59,440	2,700,609	-	(2,700,609)
RSVA - Retail Transmission Network Charge	1584	5,232,104		5,232,104	165,017	5,397,121	5,397,121	-
RSVA - Retail Transmission Connection Charge	1586	999,829		999,829	26,683	1,026,511	1,026,511	-
RSVA - Power	1588	2,480,649	(189,377)	2,291,271	255,317	2,546,588	2,735,966	189,377
RSVA - Global Adjustment Class B	1589	(423,511)	(44,997)	(468,508)	24,804	(443,704)	(398,706)	44,997
Disposition and Recovery/Refund of Regulatory Balances (2021)	1595	235,371		235,371	124,957	360,328	360,328	-
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595	152,713		152,713	70,795	223,508	223,508	-
Disposition and Recovery/Refund of Regulatory Balances (2023)	1595	-		-	254,546	254,546	254,546	-
Disposition and Recovery/Refund of Regulatory Balances (2024)	1595	-		-	(350,150)	(350,150)	(350,150)	-
Disposition and Recovery/Refund of Regulatory Balances (2025)	1595	717,371		717,371	429,852	1,147,222	1,147,222	-
Total GROUP 1 Accounts		**5,887,296**	**(234,375)**	**5,652,921**	**1,025,588**	**6,678,509**	**6,912,883**	**234,375**

*RRR balance for Account 1580 RSVA - Wholesale Market Service Charge is equal to the control account which includes the balance for Account 1580 Variance WMS – Sub-account CBR Class B. Therefore, the variance in this account is offset by the variance in the Sub-account.

Differences between balances reported in E2.1.7 Trial Balance and balances included in the 2027 DVA Continuity Schedule on Tab 2a are as follows:

9.2.1.1 Account 1580 RSVA – Wholesale Market Service Charge

The 2027 DVA Continuity Schedule model populates the balance for the 1580 RSVA Wholesale Market Service Charge control account which includes the Sub-account CBR balances for Class B customers. Table 9-4 illustrates the difference, which consists of the CBR Class B $2,700,609 debit balance.

Table 9-4 Reconcile 1580 RSVA WMS Variance

RECONCILE VARIANCE RRR TRIAL BALANCE VERSUS CONTINUITY SCHEDULE 2025 BALANCE	
1580 RSVA WMS Variance Explained	**$**
RRR 2.1.7 Trial Balance Filing - WMS Control Account	**(3,266,368)**
Exclude Variance WMS – Sub-account CBR Class B	(2,700,609)
RSVA - Wholesale Market Service Charge excluding CBR at December 31, 2025	**(5,966,977)**

9.2.1.2 Account 1588 RSVA – Power

1588 RSVA Power balance has a $189,377 variance when compared to the RRR 2.1.7 amount, as displayed in Table 9-5. The variance represents the recurring principal adjustments made for changes in unbilled amounts, for differences between the estimated year-end accruals and the actual amounts posted in the following year that impact the account. The adjustments are explained in detail within the Commodity Accounts Analysis Work Form under Principal Adjustments.

Table 9-5 Reconcile 158 RSVA Power Variance

RECONCILE VARIANCE RRR TRIAL BALANCE VERSUS CONTINUITY SCHEDULE 2025 BALANCE	
1588 RSVA Power Variance Explained	**$**
RRR 2.1.7 Trial Balance Filing	**2,735,966**
Current Year Principal adjustments explained in Commodity Accounts Analysis Work Form	(189,377)
RSVA Power Adjusted Ending Balances at December 31, 2025	**2,546,588**

9.2.1.3 Account 1589 RSVA – Global Adjustment

Similarly, as presented in Table 9-6, Account 1589 RSVA Global Adjustment has a variance of $44,997 when compared to the 2.1.7 RRR balances, as of December 31, 2025. The variance represents the recurring principal adjustments for the change in unbilled amounts for differences between the estimated year-end accruals and the actual amounts posted in the following year that impact the account. The adjustments are explained in detail within the Commodity Accounts Analysis Work Form under Principal Adjustments.

Table 9-6 Reconcile 1589 RSVA Global Adjustment Variance

RECONCILE VARIANCE RRR TRIAL BALANCE VERSUS CONTINUITY SCHEDULE 2025 BALANCE	
1589 RSVA GA Variance Explained	**$**
RRR 2.1.7 Trial Balance Filing	**(398,706)**
Current Year Principal adjustments explained in Commodity Accounts Analysis Work Form	(44,997)
RSVA GA Class B Adjusted Ending Balances at December 31, 2025	**(443,704)**

9.2.2 Reconciliation of Group 2 Deferral and Variance Account Balances

Table 9-7 lists the outstanding Group 2 DVAs and sub-accounts with audited balances documented in London Hydro's Audited Financial Statements and reported in section 2.1.7 Trial Balance of the Board's Reporting and Record-keeping Requirements as at December 31, 2025. The accounts are grouped according to the sections within which they are described in this Exhibit.

Table 9-7 – Reconciliation of Group 2 Deferral and Variance Accounts

RECONCILIATION OF GROUP 2 DEFERRAL AND VARIANCE ACCOUNTS								
Account Description	Account Number	Principal Balance Dec 31, 2025	Principal Adjustments	Adjusted Principal Balance Dec 31, 2025	Interest to Dec 31, 2025	Adjusted Ending Balance Dec 31, 2025	Continuity Schedule RRR 2.1.7 as of Dec. 31, 2025	Variance RRR vs. 2025 Balance (Principal + Interest)
		$	$	$	$	$	$	$
GROUP 2 Accounts								
OPEB Actuarial Gains or Losses Deferral Account	1508	(7,803,100)	-	(7,803,100)	-	(7,803,100)	(7,803,100)	-
Getting Ontario Connected Act Variance Account	1508	937,456	316,536	1,253,992	97,419	1,351,411	1,034,875	(316,536)
LEAP EFA Funding Deferral Account	1508	900,000	550,000	1,450,000	25,718	1,475,718	925,718	(550,000)
Green Button Net Revenue Deferral Account	1508	(86,540)	(117,200)	(203,740)	(724)	(204,465)	(87,265)	117,200
Advanced Capital Module Refund	1508	(181,607)	(146,968)	(328,575)	(4,721)	(333,296)	(186,328)	146,968
Impacts Arising from the COVID-19 Emergency	1509	783,397	-	783,397	126,309	909,705	1,517,136	607,430
Incremental Cloud Computing Implementation Costs	1511	1,526,626	830,000	2,356,626	34,787	2,391,413	1,561,413	(830,000)
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	-	-	-	(50,811)	(50,811)	(50,811)	-
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(625,775)	-	(625,775)	(152,779)	(778,554)	(4,049)	774,505
Total GROUP 2 Accounts		**(4,549,543)**	**1,432,368**	**(3,117,175)**	**75,198**	**(3,041,977)**	**(3,092,410)**	**(50,433)**

Differences between balances reported in E2.1.7 Trial Balance and balances included in the 2027 DVA Continuity Schedule on Tab 2b are reconciled as follows:

9.2.2.1 Account 1508 Getting Ontario Connected Act Variance

The forecasted 2026 variance is added to the December 31, 2025 balances as principal adjustment in the 2027 Continuity Schedule in order to dispose of the full amounts and close the account upon disposition. The ($316,536) variance represents the forecasted 2026 variance.

9.2.2.2 Account 1508 LEAP EFA Funding Deferral

In this account, the $550,000 variance is the forecasted 2026 incremental LEAP EFA contributions. The 2026 incremental amounts were added to the December 31, 2025 balances as principal adjustment in the 2027 Continuity Schedule in order to dispose of the full amounts and close the account upon disposition.

9.2.2.3 Account 1508 Green Button Net Revenue Deferral

The $117,200 variance in this account represents 60% of the 2026 expected net revenue from specific Green Button Service customers. The 2026 expected net revenue deferral is included in

the 2027 Continuity Schedule as a 2025 principal adjustment, in order to dispose of the full amount and close the account upon disposition.

9.2.2.4 Account 1508 Advance Capital Module

The 2027 Continuity Schedule includes ACM revenue for the entire period the ACM rate rider is in effect. The ACM rate rider was approved commencing May 1, 2024 until the next Cost of Service rate order. The $146,968 variance comprises of the expected revenues for the period of January 1, 2026 to April 2027, which were entered as 2025 principal adjustments in the Continuity Schedule to arrive at the total amount refundable to customers.

9.2.2.5 Account 1509 Impacts Arising from the COVID-19 Emergency

The 2027 Continuity Schedule contains the updated impacts of the incremental costs incurred during the COVID-19 emergency. The net impact of the update is $607,430.

9.2.2.6 Account 1511 Incremental Cloud Computing Implementation Costs

The $830,000 variance in this account consists of the 2026 forecasted incremental cloud computing costs. These costs were included in the Continuity Schedule, as 2025 principal adjustments, to dispose of the full amounts and close the account upon disposition.

9.2.2.7 Account 1592 PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes

The Continuity Schedule was updated with the adjusted CCA change amounts that became available after the RRR was filed for the 2025 year-end results. The $774,505 variance represents this update.

9.3 DISPOSITION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES

Table 9-8 reflects the Group 1 Deferral and Variance Account (DVA) balances, in respect of which London Hydro is seeking disposition in the Application. The account balances are the audited amounts for December 31, 2025, and include carrying charges calculated to April 30, 2027 using the Board's prescribed interest rates.

The balances proposed for disposition before forecasted interest, are as presented in London Hydro's Audited Financial Statements as at December 31, 2025. Adjustments made in 2026 to the principal balances are displayed in the table and explained under the account description of the accounts.

London Hydro used the OEB's 2027 DVA Continuity Schedule Work Form to allocate the Group 1 DVA balances to customer classes and calculate the proposed rate riders.

The methods of disposition utilized are detailed in section 9.5 of the Application.

Table 9-8 – Group 1 Deferral and Variance Accounts Submitted for Disposition with this Application

CALCULATION OF GROUP 1 DEFERRAL AND VARIANCE ACCOUNT BALANCES FOR DISPOSITION													
Deferral and Variance Accounts	Account	Principal Balance Dec 31, 2025	Principal Transactions/ Adjustments 2025	Interest to Dec 31, 2025	Total Balance Dec 31, 2025	Principal Disposition May 1, 2026	Interest Disposition May 1, 2026	Disposition Apr 30, 2026	Adjusted Principal Balance for Disposition Apr 30, 2026	2026 Interest Jan 1 to Dec 31 2.55% 2.55% 2.55% 2.55%	2027 Interest Jan 1 to Apr 30 2.55%	Forecast Balance for Disposition April 30, 2027
		$	$	$	$	$	$	$	$	$	$	$
Group 1 Accounts												
Smart Metering Entity Charge Variance Account	1551	(208,596)		(8,498)	(217,094)	(137,089)	(8,615)	(145,704)	(71,507)	(2,973)	(599)	(74,962)
RSVA - Wholesale Market Service Charge	1580	(5,939,802)		(27,174)	(5,966,977)	(703,644)	(27,219)	(730,863)	(5,236,158)	(139,421)	(43,898)	(5,419,432)
Variance WMS – Sub-account CBR Class B		2,641,169		59,440	2,700,609	1,253,502	59,590	1,313,092	1,387,667	45,894	11,634	1,445,045
RSVA - Retail Transmission Network Charge	1584	5,232,104		165,017	5,397,121	2,734,866	147,154	2,882,020	2,497,238	86,607	20,936	2,622,644
RSVA - Retail Transmission Connection Charge	1586	999,829		26,683	1,026,511	275,009	18,845	293,854	724,819	20,788	6,077	759,522
RSVA - Power	1588	2,480,649	(189,377)	255,317	2,546,588	680,817	219,555	900,372	1,610,455	46,774	13,501	1,706,492
RSVA - Global Adjustment Class B	1589	(423,511)	(44,997)	24,804	(443,704)	4,793,628	171,326	4,964,954	(5,262,136)	(93,997)	(44,115)	(5,546,770)
Disposition and Recovery/Refund of Regulatory Balances (2022)	1595_(2022)	152,713		70,795	223,508			-	152,713	3,894	1,280	228,682
		4,934,554	(234,375)	566,383	5,266,563	8,897,089	580,635	9,477,724	(4,196,910)	(32,432)	(35,185)	(4,278,778)

9.3.1 Disposition of Account 1551 Smart Metering Entity Charge Variance

This account is used to record the variances arising from the Smart Metering Entity charges paid to the IESO and billed to Residential and General Services <50 kW customers.

London Hydro proposes the disposition of ($74,962) credit variance accumulated during 2025, including applicable carrying charges, in this Application.

9.3.2 Disposition of Account 1580 Retail Settlement Variance Account – Wholesale Market Service Charges

This account is used to record the net of the amounts charged by the Independent Electricity System Operator (IESO) based on the settlement invoice for the operation of the IESO-administered markets and the operation of the IESO-controlled grid and the amount charged by Hydro One Networks Inc. as host distributor, and the amount billed to customers using the Board-Approved Wholesale Market Service Rate.

London Hydro proposes the disposition of ($5,419,432) credit variance accumulated during 2025, including applicable carrying charges, in this Application.

9.3.3 Disposition of Account 1580 RSVA - WMS, Sub-account Capacity Based Recovery Class B Variance

This account is used to record the net of the amounts charged by the Independent Electricity System Operator (IESO) on the settlement invoice under Charge Type 1351 for CBR for Class B Loads and the amount billed to customers using the $0.0004/kWh included in the Board-Approved Wholesale Market Service (WMS) Rate.

London Hydro followed the accounting guidance on the disposition of CBR variances. On Tab 1. Information Sheet of the 2027 DVA Continuity Schedule model, London Hydro indicated that it had Class A customers during 2025 when the CBR variance accumulated. London Hydro also had 14 customers who transitioned between Class A and Class B during 2025. The model allocated the portion of the CBR Class B variance to transition customers based on their metered Class B consumption kWh during the period they were Class B customers. It also calculated customer specific monthly equal payments for the transition customers, and a set of a separate general CBR Class B rate rider for the recovery of the variance from current Class B customers.

London Hydro proposes the recovery of $1,445,045 CBR Class B variance accumulated during 2025, including applicable carrying charges, in this application. Of that recovery, $1,424,969 is proposed to be recovered through a generic CBR Class B rate rider and $20,076 is to be recovered from transition customers by way of 12 equal monthly installment charges.

9.3.4 Disposition of Account 1584 Retail Settlement Variance Account – Retail Transmission Network

This account is used to record the net of the amounts charged by the IESO based on the settlement invoice for transmission network services and the amount billed to customers for the same services using the Board-Approved Transmission Network Charge Rate.

London Hydro proposes the recovery of $2,622,644 variance accumulated during 2025, including applicable carrying charges, in this Application.

9.3.5 Disposition of Account 1586 Retail Settlement Variance Account – Retail Transmission Connection

This account is used to record the net of the amounts charged by the IESO based on the settlement invoice for transmission connection services and the amount billed to customers for the same services using the Board-Approved Transmission Connection Charge Rate.

London Hydro proposes the recovery of $759,522 variance accumulated during 2025, including applicable carrying charges, in this Application.

9.3.6 Disposition of Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment

The *Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589*, issued on February 21, 2019, is effective January 1, 2019 and required to be implemented by August 31, 2019. London Hydro confirms it fully implemented and complied with this guidance on the accounting for Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment. On May 23, 2023, the OEB issued an update to the Accounting Guidance related to the implementation of ULO pricing. On April 28, 2025, the OEB released its finalized Accounting Guidance for the commodity accounts under the IESO's Market Renewal Program. All transactions recorded to the Commodity RSVA Accounts are accounted for in accordance with the corresponding guidance.

London Hydro utilizes the commodity model and updated its process to calculate the RPP Settlement at wholesale level. The sum of the estimated day-ahead market (DAM) Ontario Zonal Price (OZP) and Load Forecast Deviation Adjustment (LFDA) values, plus the Global Adjustment Second Estimate Rate are used in the calculation of the initial settlement. London Hydro accrues the cost of power based on the IESO invoice and the initial RPP settlement. It allocates GA costs based on the RPP/Non-RPP percentages between 1588 and 1589. It also recalculates CT 142 with the actual paid GA rate and records the difference in its general ledger between the initial

RPP settlement with the second estimate and the recalculated amount with the actual paid rate. Therefore, the financial results reflect the RPP settlement in the current trade month with the final paid rate.

London Hydro applies the actual invoiced (paid) GA price in the RPP settlement true-up calculation. The first true-up of the RPP settlement claim takes places the following month for the update of the second estimate GA rate to the final paid GA rate and the estimated energy price to the final energy price, comprising DAM OZP and LFDA charged by the IESO. The second true-up is completed by the third month recalculating the RPP settlement with actual volumes and prices. The proportion of GA costs are also trued-up based on the RPP/Non-RPP percentages calculated using the actual monthly meter reads. Six months after the trade year ended, the RPP settlement is recalculated for each month of the trade year to adjust for any potential significant changes or updates for the year, and submitted to the IESO. The impact of the final true-up is reflected in the principal adjustments.

London Hydro followed the Board's Accounting Procedures Handbook and other Board-issued guidance, such as the Accounting Guidance related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment, to record the variances in the RSVA accounts.

The Board approved the disposition of the audited December 31, 2024 RSVA balances accumulated during 2024 on a final basis, including principal adjustments, with the 2026 IRM Rate Application over a one-year period (EB-2025-0023). This disposition is reflected in the 2027 DVA Continuity Schedule.

The RSVA amounts requested for disposition are the variances accumulated during Year 2025.

London Hydro proposes the disposition of commodity account balances in this Application, as presented in Table 9-9. It includes $1,706,492 recovery of Account 1588 from all non-WMP customers, and ($5,546,770) refund of Account 1589. Of that GA credit variance, ($5,320,690) refund is proposed through a GA rate rider to non-RPP customers and ($226,080) equal monthly payments proposed to transition customers.

Table 9-9 – Commodity Variances Proposed for Disposition

COMMODITY VARIANCES PROPOSED FOR DISPOSITION		
Description	1588 RSVA Power	1589 RSVA GA
	$	$
Principal Balance December 31, 2025	2,480,649	(423,511)
Principal Adjustments 2025, recorded in 2026 G/L	(189,377)	(44,997)
Interest to December 31, 2025	255,317	24,804
Total Balance Dec 31, 2025	2,546,588	(443,704)
Disposition May 1, 2026	900,372	4,964,954
Interest January 1 to December 31, 2026	46,774	(93,997)
Interest January 1 to April, 2027	13,501	(44,115)
Total Claim	**1,706,492**	**(5,546,770)**

9.3.6.1 Account 1588 Retail Settlement Variance Account – Power

This account is used to record the net of the amounts charged by the IESO, based on the settlement invoice for energy, and embedded generators, and the energy amounts billed to customers.

9.3.6.2 Account 1589 Retail Settlement Variance Account – Global Adjustment

This account is used to record the net of the Global Adjustment charge for non-Regulated Price Plan customers by the IESO, based on the settlement invoice, and the Global Adjustment amounts billed to non-Regulated Price Plan customers.

London Hydro confirms that it prorates the IESO Global Adjustment Charge into RPP and non-RPP portions.

Within its service territory, London Hydro serves Class A customers who pay the actual GA and do not contribute to the GA variance, Class B customers who pay the first estimate GA rate based on their consumption and contribute to the GA variance, as well as Transition customers who were Class B for only part of the year when the GA variance accumulated.

London Hydro currently bills all Class B non-RPP customers using the IESO's Global Adjustment first estimate price, and bills all Class A customers the actual Global Adjustment.

9.3.6.3 Class A and Class B Customers

As of July 1, 2015, per O.Reg 429/04, an eligible customer with a maximum hourly demand over three megawatts, but less than five megawatts, can elect to become Class A for an applicable adjustment period of one year. Effective January 1, 2017, the ICI was expanded to include all electricity users with an average monthly peak demand over 1 MW. In April 2017, the ICI threshold was further reduced to 500 kW to make targeted manufacturing and industrial sectors, including greenhouses eligible to opt-in to the ICI. Customers who participate in the ICI, referred to as Class A customers, pay GA based on their percentage contribution to the top five peak Ontario demand hours (i.e. peak demand factor) over a year-long period. London Hydro is required to settle GA costs with Class A customers on the basis of actual GA cost, and therefore, does not allocate GA variance balance to these customers for the period that customers were designated Class A.

Most remaining customers pay the GA charge based on the amount of electricity (kWh) they consume in a month. These customers are referred to as Class B customers. For non-RPP Class B customers, the GA variance account (Account 1589) captures the difference between the amounts billed (or estimated to be billed) by the distributor and the actual amount paid by the distributor to the IESO (or host distributor) for those customers.

When clearing balances from the GA variance account, distributors must establish a separate rate rider included in the delivery component of the bill that would apply prospectively to non-RPP Class B customers. Effective in 2017, the billing determinant and all the rate riders for GA variances were calculated on an energy basis (kWhs) regardless of the billing determinant used for distribution rates for the particular class.

The 2027 DVA Continuity Schedule Model contains Class A Consumption Data generated (Tab 6) for London Hydro to input consumption data pertaining to Class A and transition customers during Years 2025 when the Account 1589 RSVA GA balance accumulated. The model allocates the GA balance (Tab 6.1a GA Allocation) to transition customers for the period in which these

customers were Class B customers and contributed to the GA variance (i.e. former Class B customers who contributed to the GA balance but are now Class A customers and former Class A customers who are now Class B customers contributing to the GA balance). All transition customers will only be responsible for the amount allocated to them and they will not be charged/refunded the GA rate rider that applies to all non-RPP Class B customers. The model calculates specific amounts for each transition customer based on their consumption during the period they were Class B customers. London Hydro is generally expected to settle the amount through 12 equal adjustments to bills or via one-time settlement depending on the customer's preference. Customers should be charged in a consistent manner for the entire disposition period until the expiration date, regardless of whether customers transition between Class A and Class B during the disposition period.

9.3.6.4 Commodity Accounts Analysis Work Form

The Commodity Accounts Analysis Work Form helps the OEB assess the reasonability of the annual balance in Account 1589. It must be completed for each year that has not been previously approved for disposition by the OEB. The work form compares the General Ledger principal balance to an expected principal balance based on monthly non-RPP consumption volumes, GA revenues and costs.

A discrepancy between the actual and expected balance may be explained and quantified by a number of factors, such as an outstanding IESO settlement true-up payment. The explanatory items should reduce the discrepancy and provide distributor-specific information to the OEB. Any remaining, unexplained discrepancy will be assessed for materiality and could prompt further analysis before disposition is approved. Unexplained discrepancies should be calculated separately for each calendar year and any unexplained discrepancy for each year greater than +/- 1% of total annual IESO GA charges will be considered material.

London Hydro completed the Commodity Accounts Analysis Work Form considering the *Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589*, issued on February 21, 2019 and the subsequent updates issued

on May 23, 2023 and on April 28, 2025. The Commodity Accounts Analysis Workform is provided as a live excel file in Appendix 9-4 and submitted with this application.

Within the Commodity Accounts Analysis Work Form Tab GA reflects the reconciliation of the GA variance for the given year that London Hydro carries principal balances for. Each of the reconciling items explained within the work form and reason provided where no principal adjustment is required on the Continuity Schedule, if any. Principal adjustments for RSVA GA and RSVA Power are reflected on the Principal Adjustment tab with descriptions and entered in the Continuity Schedule under Principal Adjustments. A summary of these adjustments is provided in Table 9-10. A reasonability test for the balance in Account 1588 is also completed in the work form.

London Hydro accrues unbilled revenue at year-end based on actual customer billings in the following year for consumption related to the current year. Revenues for consumption not billed by the year-end closing date is estimated. London Hydro also books the year-end accrual for cost of power based on the actual IESO invoice. The proportion of RPP related CT 148 GA costs are also trued up using a year-end adjusting entry. The RPP settlement true-up values are also calculated and booked with the year-end accrual. Subsequent billings and the final true-up of RPP settlement may have differences compared to the year-end accruals. Such impacts are reflected in the principal adjustments. Effective 2017, London Hydro records the unbilled values as principal adjustments on the Continuity Schedule to adjust the principal for disposition to be relevant for only the year it clears on a final basis.

Table 9-10 – Commodity Principal Adjustments

COMMODITY PRINCIPAL ADJUSTMENTS		
Principal Adjustments 2025, recorded in 2026 G/L	**1588 RSVA Power**	**1589 RSVA GA**
	$	$
CT 148 true-up of GA Charges based on actual Non-RPP volumes	56,927	(56,927)
Unbilled to actual revenue differences	(730,992)	11,930
CT 1142/142 true-up based on actuals	484,688	
Total Principal Adjustments for 2025	**(189,377)**	**(44,997)**

9.3.6.5 Two-year Limitation Period

On July 1, 2023, a basic two-year limitation period was established under section 36.1.1 of Ontario's Electricity Act, 1998, which applies to specified types of settlements with the IESO. Subsection 36.1.1(7) provides for an exemption for a payment or adjustment resulted from OEB decision or order.

London Hydro is not seeking an OEB approval of an exemption from the limitation period for a payment or adjustment.

9.3.7 Account 1595 Disposition and Recovery/Refund of Regulatory Balances

DVA principal and carrying charges approved for disposition are transferred to Account 1595 for that rate year. A sub-account is used to record the approved principal account balances on the transfer to Account 1595 and the amounts recovered (or refunded) in rates through regulatory asset or deferral and variance accounts rate rider. A sub-account is used to record the cumulative carrying charge balances on the transfer, and another sub-account is used to record the carrying charges calculated on the opening monthly net principal balance using the rate prescribed by the Board.

The residual balances in the account become eligible for disposition two years after the associated rate riders' expiration dates and the balances have been audited. The distributors are expected to request the disposition of residual balances in the account only once for each vintage year. Since the rate year commences for London Hydro on May 1, the residual balances, if any, from the 2022 proceeding is eligible for disposition in this Application.

London Hydro confirms that the residual balance in Account 1595 for Year 2022 has not been included in past year disposition requests.

In Section 7 of the Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), issued on July 31, 2009, the default allocation factors approved by the Board are provided. Section 7 identifies that the residual balance of Account 1595 is to be allocated to the rate classes in proportion to recovery shares as established when the rate riders were implemented. However, a distributor may propose a different approach when warranted, with justification.

The 2022 default allocation of DVA balances is summarized in Table 9-11.

Table 9-11 – Default 2022 Allocation of DVA Balances for Disposition

ACCOUNT 1595(2022) - DEFAULT 2022 DVA ALLOCATION FOR DISPOSITION (EB-2021-0041)								
Rate Class	DVA RR #1 (all)	DVA RR #2 (non-WMP)	GA RR	G2	LRAMVA RR	GA Direct Settlement	1595(2022) TOTAL	Allocation
	$	$	$	$	$	$	$	%
RESIDENTIAL SERVICE	230,259	-	31,247	(1,309,121)	389,756		(657,860)	*-136%*
GENERAL SERVICE LESS THAN 50 KW	88,920	-	88,437	(419,825)	297,149		54,681	*11%*
GENERAL SERVICE 50 TO 4,999 KW	658,964	(387,611)	1,134,532	(1,201,036)	1,225,373	29,433	1,459,654	*301%*
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	(273)	-	2,785	(5,113)	5,975	309	3,683	*1%*
STANDBY POWER	7,165	-	23,891	(28,296)	51,120	1,198	55,078	*11%*
LARGE USE SERVICE	17,151	-	4,481	(75,385)	(157,634)		(211,387)	*-44%*
STREET LIGHTING	1,537	-	17,894	38,970	(274,504)		(216,104)	*-45%*
SENTINEL LIGHTING	54	-	6	(288)	-		(227)	*0%*
UNMETERED SCATTERED LOAD	945	-	-	(3,863)	-		(2,918)	*-1%*
Total	**1,004,720**	**(387,611)**	**1,303,273**	**(3,003,957)**	**1,537,236**	**30,940**	**484,600**	***100%***

London Hydro initially allocated the residual balance to rate classes in proportion to the recovery shares established in the 2022 Cost of Service proceeding. Using this allocation method would have generated unfair results for some of the rate classes as illustrated in Table 9-12.

Table 9-12 – 1595 Remainder Balance Allocated Using the Original 2022 Allocation Percentage

1595(2022) - REMAINDER BALANCE ALLOCATED USING ORIGINAL ALLOCATION %		
Rate Class	**Original Allocation**	**Allocated Amount**
	%	$
RESIDENTIAL SERVICE	*-136%*	(310,550)
GENERAL SERVICE LESS THAN 50 KW	*11%*	25,841
GENERAL SERVICE 50 TO 4,999 KW	*301%*	688,791
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	*1%*	5,488
STANDBY POWER	*11%*	22,182
LARGE USE SERVICE	*-44%*	(99,705)
STREET LIGHTING	*-45%*	(101,992)
SENTINEL LIGHTING	*0%*	-
UNMETERED SCATTERED LOAD	*-1%*	(1,372)
Total	***100%***	**228,682**

The 2022 Cost of Service Application (EB-2021-0041), included approval of Group 1, Group 2 and LRAMVA balances for disposition through various rate riders. Due to the widely differing amounts (debits and credits), the allocation of the $228,682 residual balances would have resulted in an additional $688,791 recovery from the General Service 50 to 4,999 kW rate class (3 times the deferral account balance), which does not appear fair or reasonable. London Hydro conducted further analysis comparing the 2022 approved balances with the corresponding rate riders billed, as summarized in Table 9-13. The analysis revealed that the majority of the residual balance relates to the LRAMVA balance. All other Group 1 and Group 2 balances have been recovered or refunded generally as expected, with a small difference remaining in the account.

Table 9-13 – 1595 Remainder Balance

ACCOUNT 1595(2022) - REMAINDER BALANCE							
Rate Class	DVA RR #1 (all)	DVA RR #2 (non-WMP)	GA RR	G2	LRAMVA RR	GA Direct Settlement	1595(2022) TOTAL
	$	$	$	$	$	$	$
Approved Balances for Disposition 2022 (EB-2021-0041)	1,004,720	(387,611)	1,303,273	(3,003,957)	1,537,236	30,940	484,600
Rate Riders Billed to Customers	(991,656)	378,665	(1,332,387)	3,013,977	(1,325,599)	(30,940)	(287,941)
Remainder Balance Sub-total	**13,064**	**(8,946)**	**(29,115)**	**10,019**	**211,636**	**0**	**196,659**
Interest Earned on Opening Balances							32,023
1595(2022) Remainder Balance							**228,682**

The allocation of the LRAMVA balance to rate classes was determined in the 2022 Cost of Service Application using the 2022 Generic LRAMVA Workform, specifically developed to calculate the impact the CDM programs had on each participating rate class.

In Table 9-14, London Hydro summarizes the net remaining balances for each approved rate rider by rate classes. The interest earned was allocated on opening balances using the remaining balance, rate class, proportions. The total remainder balance is the sum of those two amounts. The proposed recovery shares from each rate class are calculated on this basis.

Table 9-14 – Proposed Allocation Factor for 1595(2022) Balance

ACCOUNT 1595(2022) - PROPOSED ALLOCATION OF REMAINDER BALANCE WITH INTEREST EARNED											
Rate Class	DVA RR #1 (all)	DVA RR #2 (non-WMP)	GA RR	G2	LRAMVA RR	GA Direct Settlement	1595(2022) Sub-Total	Rate Class Proportion	Interest Earned	TOTAL REMAINDER	Proposed allocation
	$	$	$	$	$	$	$	%	$	$	%
RESIDENTIAL SERVICE	(1,740)	-	9,567	18,785	41,757	-	68,367	*35%*	11,144	79,511	*35%*
GENERAL SERVICE LESS THAN 50 KW	8,170	-	3,993	(16,078)	14,527	-	10,611	*5%*	1,729	12,340	*5%*
GENERAL SERVICE 50 TO 4,999 KW	13,547	(8,946)	3,205	(24,840)	25,459	(0)	8,425	*4%*	1,377	9,802	*4%*
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	775	-	(38,117)	14,539	(16,984)	0	(39,787)	*-20%*	(6,469)	(46,255)	*-20%*
STANDBY POWER	(546)	-	23,891	2,120	(3,543)	0	21,921	*11%*	3,555	25,476	*11%*
LARGE USE SERVICE	(6,472)	-	(25,651)	28,399	59,397	-	55,673	*28%*	9,062	64,735	*28%*
STREET LIGHTING	(512)	-	(6,003)	(12,920)	91,024	-	71,589	*36%*	11,656	83,246	*36%*
SENTINEL LIGHTING	(12)	-	0	66	-	-	54	*0%*	-	54	*0%*
UNMETERED SCATTERED LOAD	(144)	-	-	(51)	-	-	(195)	*0%*	(32)	(227)	*0%*
Total	**13,064**	**(8,946)**	**(29,115)**	**10,019**	**211,636**	**0**	**196,659**	***100%***	**32,023**	**228,682**	***100%***

The 2027 DVA Continuity Schedule has been updated with the proposed 1595 recovery.

Table 9-15 – Proposed Allocation of 1595(2022) Balance

1595(2022) - PROPOSED ALLOCATION BASED ON REMAINDER BALANCES		
Rate Class	**Proposed Allocation**	**Allocated Amount**
	%	$
RESIDENTIAL SERVICE	*35%*	79,581
GENERAL SERVICE LESS THAN 50 KW	*5%*	12,349
GENERAL SERVICE 50 TO 4,999 KW	*4%*	9,833
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	*-20%*	(46,194)
STANDBY POWER	*11%*	25,384
LARGE USE SERVICE	*28%*	64,717
STREET LIGHTING	*36%*	83,240
SENTINEL LIGHTING	*0%*	-
UNMETERED SCATTERED LOAD	*0%*	(229)
Total	***100%***	**228,682**

London Hydro is seeking approval for the disposition of the $228,682 residual balance from Year 2022 in this rate application, based on the proposed allocation presented in Table 9-15.

9.4 DISPOSITION OF GROUP 2 DEFERRAL AND VARIANCE ACCOUNT BALANCES

Table 9-16 reflect the Group 2 Deferral and Variance Account (DVA) balances, in respect of which London Hydro is seeking disposition in the Application. The account balances are the audited amounts for December 31, 2025, and include carrying charges calculated to April 30, 2027 using the Board's prescribed interest rates.

Principal adjustments made in 2026 to the principal balances are displayed in the table and explained under the account description of the accounts.

London Hydro used the OEB's 2027 DVA Continuity Schedule Work Form to allocate the Group 2 DVA balances to customer classes and calculate the proposed rate riders. The 1508 ACM balance was allocated and the related rate riders were calculated using the ACM Refund Rate Rider Calculation file, Appendix 9-3, an Excel work book created by London Hydro.

The methods of disposition applied are detailed in section 9.5 of the Application.

Table 9-16 – Group 2 Deferral and Variance Accounts Submitted for Disposition with this Application

CALCULATION OF GROUP 2 DEFERRAL AND VARIANCE ACCOUNT BALANCES FOR DISPOSITION									
Deferral and Variance Accounts	Account	Principal Balance Dec 31, 2025	Interest to Dec 31, 2025	Total Balance Dec 31, 2025	Principal Transactions/ Adjustments: 2026 Forecasts	Adjusted Closing Principal Balance for Disposition	2026 Interest Jan 1 to Dec 31 2.55% 2.55% 2.55% 2.55%	2027 Interest Jan 1 to Apr 30 2.55%	Forecast Balance for Disposition April 30, 2027
		$	$	$	$	$	$	$	$
Group 2 Accounts									
Getting Ontario Connected Act Variance Account	1508	937,456	97,419	1,034,875	316,536	1,253,992	24,269	10,513	1,386,193
LEAP EFA Funding Deferal Account	1508	900,000	25,718	925,718	550,000	1,450,000	28,403	12,156	1,516,277
Green Button Net Revenue Deferral Account	1508	(86,540)	(724)	(87,265)	(117,200)	(203,740)	(4,231)	(1,708)	(210,403)
Advanced Capital Module	1508	(181,607)	(4,721)	(186,328)	(146,968)	(328,575)	(5,912)	(2,562)	(341,769)
Impacts Arising from the COVID-19 Emergency	1509	783,397	126,309	909,705	-	783,397	19,977	6,568	936,250
Incremental Cloud Computing Implementation Costs	1511	1,526,626	34,787	1,561,413	830,000	2,356,626	51,211	19,757	2,462,381
Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	1522	-	(50,811)	(50,811)	-	-	(36,925)	(12,294)	(100,030)
PILs and Tax Variance for 2006 and Subsequent Years-Sub-account CCA Changes	1592	(625,775)	(152,779)	(778,554)	-	(625,775)	(15,957)	(5,246)	(799,757)
		3,253,557	**75,198**	**3,328,755**	**1,432,368**	**4,685,925**	**60,834**	**27,184**	**4,849,141**

9.4.1 Account 1508 Other Regulatory Assets - Sub-Account OPEB Actuarial Gains or Losses Deferral Account

London Hydro has recorded a credit balance of $7,803,100 in this sub-account as of December 31, 2025. This account was established effective January 1, 2017 in the EB-2016-0091 proceeding. The related Accounting Order indicated that in the absence of OEB policy on the OPEB issue the deferral account would continue until the earlier of: "A decision by the OEB to implement a policy with respect to the OPEB which differs from the approach approved here, and London Hydro's next rebasing application".

London Hydro's next rebasing application was EB-2021-0041, which set rates effective May 1, 2022. London Hydro did not dispose of the deferral account balance. The deferral account was continued.

The OEB's Report on the Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs (EB-2015-0040), issued on September 14, 2017 states: "Utilities may propose disposition of the account in future cost-based rate proceedings if the gains and losses that are tracked in this account do not substantially offset over time". Further, the Report indicated: "This matter was not the focus of this consultation and therefore, the OEB has not made a determination on a generic approach to the regulatory treatment of actuarial gains and losses under IFRS. The OEB will consider the potential need for further analysis and guidance on this matter in due course" (page 13).

London Hydro's position remains the same as identified in its EB-2021-0041 evidence (Exhibit 9, page 51). Balances in this account are unrealized and do not form part of London Hydro's net income. Therefore, these amounts are not subject to disposition. The OEB has not made a determination on a generic approach to the regulatory treatment of actuarial gains and losses under IFRS. As such, London Hydro proposes not to dispose of the deferral account balance and to continue with the account.

9.4.2 Account 1508 Other Regulatory Asset – Sub Account Getting Ontario Connected Act (GOCA) Variance

The *Getting Ontario Connected Act*, *2022*, S.O. 2022, c. 9 – Bill 93 (GOCA) Bill 93 received Royal Assent on April 14, 2022. The legislation included amendments to the *Ontario Underground Infrastructure Notification System Act,* 2012, imposing a five-business-day deadline for completing standard locate requests and introducing administrative penalties for failure to comply.

On October 31, 2023, the OEB issued its EB-2023-0143 Decision and Order (Getting Ontario Connected Act Variance Account), establishing a generic, industry-wide variance account with an effective date of April 1, 2023. This account was established to record the incremental costs of locates arising from the implementation of Bill 93. Specifically, two costs are to be recorded in the variance account as outlined in "Schedule A Electricity Accounting Order" of the Decision and Order:

- **Incremental costs of locates** arising from Bill 93
- **Actual ongoing locate costs** that are not associated with Bill 93

The sum of these two cost groups equals 100% of the actual locate costs incurred by the utility for the applicable period. In addition to these costs, utilities record an offsetting credit entry for locates "revenue", representing the OM&A expense related to the locate costs approved in base rates, escalated by the annual rate adjustments approved in the distributor's subsequent IRM Decisions and Orders.

London Hydro has followed the accounting entries as outlined in "Schedule A Electricity Accounting Order" of the EB-2023-0143 Decision and Order. The balances recorded in this account represent differences between the actual locate costs incurred from April 1, 2023 to December 31, 2025 combined with forecasted costs for 2026, and reduced by the locate costs currently built into rates.

Table 9-17 below provides the revenue requirement related to locate costs approved in London Hydro's base rates, escalated by the annual rate adjustments approved in subsequent IRM Decisions and Orders.

Table 9-17 - Locate Costs Approved in Base Rates and Escalation for 1508 Sub Account - GOCA

Locate Costs Approved in Base Rates		
	IRM Rate	Adjustment to Base Rates ($)
2022 Cost of Service (EB-2021-0041)		1,089,200
2023	3.4%	1,126,233
2024	4.5%	1,176,913
2025	3.3%	1,215,751
2025	3.4%	1,257,087

Balances recorded the Sub Account – GOCA are both incremental to the amounts included in base rates and are a direct result of the statutory requirements introduced under Bill 93. Incremental locate costs related to Bill 93 consist of two main components:

- Incremental rate increases from third-party locate service providers.
- Incremental fee adjustments from Ontario One Call.

Table 9-18 below provides a breakdown of these components.

Table 9-18 - Locate Costs - Related to Bill 93

Locate Costs - Related to Bill 93				
	April - December 2023 Actuals	2024 Actuals	2025 Actuals	2026 Forecast
	$	$	$	$
Third-party Locate Service Provider Price Increases	896,889	205,128	- 98,188	340,288
Ontario One Call Price Increases	6,738	11,033	23,399	24,993
1508 Sub Account - Getting Ontario Connected Act (GOCA)	**903,627**	**216,161**	**- 74,789**	**365,281**

To determine the portion which could be reasonably attributed to Bill 93, London Hydro evaluated the changes in third-party service provider rates and Ontario One Call fees between 2022 and 2025. Actual annual rates were compared against the 2022 rate, escalated by expected inflation (2% - 3%). The variance above this escalated baseline represents the incremental impact of Bill 93.

Table 9-19 below provides the calculation of the Sub Account – GOCA balances including a breakdown between incremental and non-incremental costs.

Table 9-19 - Locate Balances in Uniform System of Accounts

Locate Balances in USoA Accounts				
	April - December 2023 Actuals	2024 Actuals	2025 Actuals	2026 Forecast
	$	$	$	$
Actual Locate Costs:				
Incremental Locate Costs Related to Bill 93	903,627	216,161	- 74,789	365,281
Locate Costs Not Related to Bill 93	755,265	1,158,604	1,215,927	1,208,342
Locate Costs Approved in Base Rates	- 844,675	- 1,176,913	- 1,215,751	- 1,257,087
1508 Sub Account - Getting Ontario Connected Act (GOCA)	**814,217**	**197,852**	**- 74,613**	**316,536**

Note that the incremental locate costs related to Bill 93 are greater than the amount in the variance account. London Hydro has absorbed a portion of the Bill 93 costs, up to the amount determined to be in base rates. London Hydro confirms that it has reflected the GOCA impact in the 2027 Test Year revenue requirement. A detailed discussion of the Locates program can be found in Section 4.4.10 in Exhibit 4 of this Application.

London Hydro requests disposition of the December 31, 2026 projected balance including forecasted interest up to April 30, 2027, totalling $1,386,193 as a collection from customers as detailed in Table 9-20.

Table 9-20 - Account 1508 Sub Account Getting Ontario Connected Act Disposition Calculation

Account 1508 Sub Account GOCA Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	937,456	97,419	1,034,875
Adjustment to Projected Balance to Dec. 31, 2026	316,536	-	316,536
Balance for Disposition	**1,253,992**	**97,419**	**1,351,411**
Interest January to December 2026		24,269	24,269
Interest January to April 2027		10,513	10,513
Total Claim for Disposition	**1,253,992**	**132,201**	**1,386,193**

London Hydro proposes discontinuance of this account.

9.4.3 Account 1508 Incremental LEAP EFA Contributions

On February 12, 2024, the OEB announced changes to the Low-income Energy Assistance Program Emergency Financial Assistance or LEAP EFA and issued a Rate Order establishing a generic deferral account effective March 1, 2024 (EB-2023-0135). The OEB updated the LEAP income eligibility thresholds to align with the new expanded Ontario Electricity Support Program (OESP) income thresholds and included an adjustment to the current LEAP EFA to reflect inflationary changes. The OEB also adopted OEB Staff's recommendation that no eligible LEAP applicant should be denied assistance due to lack of funding.

The generic deferral account entitled "Account 1508 - Other Regulatory Assets, Sub-account LEAP EFA Funding Deferral" was established to allow rate-regulated electricity distributors to record prudently incurred incremental LEAP EFA contributions made on or after March 1, 2024, that exceed the funding amounts currently embedded in their rates. London Hydro's 2022 OEB-Approved revenue requirement included a forecast of $200,000 for LEAP funding in base rates. Table 9-21 provides the calculation of the Sub-Account LEAP EFA balances. London Hydro

confirms that the amounts included in Sub Account LEAP EFA are incremental and prudently incurred.

Table 9-21 - LEAP EFA Balances in Uniform System of Accounts

LEAP Balances in USoA Accounts			
	March to December 2024 Actuals	2025 Actuals	2026 Forecast
	$	$	$
Actual LEAP EFA Funded by London Hydro	650,000	650,000	750,000
LEAP EFA Costs Approved in Base Rates	200,000	200,000	200,000
1508 Sub Account - LEAP EFA	**450,000**	**450,000**	**550,000**

As detailed in Table 9-22 London Hydro requests disposition of the December 31, 2026 projected balance including forecasted interest up to April 30, 2027, totalling $1,516,277 as a collection from customers.

Table 9-22 - Account 1508 Sub Account LEAP EFA Funding Disposition Calculation

Account 1508 Sub Account LEAP EFA Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	900,000	25,718	925,718
Adjustment to Projected Balance to Dec. 31, 2026	550,000	-	550,000
Balance for Disposition	**1,450,000**	**25,718**	**1,475,718**
Interest January to December 2026		28,403	28,403
Interest January to April 2027		12,156	12,156
Total Claim for Disposition	**1,450,000**	**66,277**	**1,516,277**

London Hydro has reflected the OEB changes to the LEAP EFA in the 2027 Test Year revenue requirement. A detailed discussion of London Hydro's LEAP funding can be found in Section 4.4 in Exhibit 4 of this Application.

London Hydro proposes discontinuance of this account.

9.4.4 Account 1508 Green Button Net Revenue Deferral

On March 25, 2025 the OEB issued Decision and Order (EB-2025-0085) to extend the approval for London Hydro to provide certain Green Button services to April 30, 2027. Pursuant to s. 71 of the OEB Act, a distributor is not permitted to carry out business activities not related to the distribution of electricity, except through an affiliate. The OEB can exempt a distributor from this restriction under s. 71(4) of the OEB Act if special circumstances exist to warrant doing so. The EB-2025-0085 Decision and Order provides London Hydro with an exemption under s. 71(4) to provide certain Green Button services until April 30, 2027 and established Account 1508 - Sub-Account Green Button Net Revenue Deferral Account.

This utility specific deferral account was established to capture 60% of the Net Revenue (actual revenue less actual costs) from Green Button services, for the 2025 and 2026 calendar years, applicable to customers for which s. 71(4) of the OEB Act approval is required. Table 9-23 provides the calculation of the Sub-Account Green Button Net Revenue Deferral.

Table 9-23 - Green Button Net Revenue Calculations

Green Button Net Revenue Calculations		
	2025 Actuals	2026 Forecast
	$	$
Net Revenue from Green Button Service Customers for which Section 71(4) is required	144,233	195,333
% to be allocated to the deferral account	60%	60%
1508 Sub Account - Green Button Net Revenue	**86,540**	**117,200**

As detailed in Table 9-24 London Hydro requests disposition of the December 31, 2026 projected balance including forecasted interest up to April 30, 2027, totalling $210,403 as a refund to customers.

Table 9-24 - Account 1508 Sub Account Green Button Net Revenue Deferral Account Disposition

Account 1508 Sub Account Green Button Net Revenue Deferral Account Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	(86,540)	(724)	(87,264)
Adjustment to Projected Balance to Dec. 31, 2026	(117,200)	-	(117,200)
Balance for Disposition	**(203,740)**	**(724)**	**(204,464)**
Interest January to December 2026		(4,231)	(4,231)
Interest January to April 2027		(1,708)	(1,708)
Total Claim for Disposition	**(203,740)**	**(6,663)**	**(210,403)**

London Hydro proposes to discontinue of this account.

9.4.5 Account 1508 Advance Capital Module (ACM)

The cumulative balance in this account comprises of revenues from the OEB approved ACM Rate Rider during the effective period of May 1, 2024 to April 30, 2027.

The total ACM funds expected to be collected by the rate rider expiration date are summarized in Table 9-25 by rate class with applicable interest. The table includes actual rate rider revenues collected between May 1, 2024 and June 30, 2026, and the expected rate rider revenues for the period of July 1, 2026 to April 30, 2027. To calculate the forecasted revenues, the predicted 2026 and 2027 number of customers were used from the load forecast presented in Exhibit 3.

Table 9-25 – ACM Rate Rider Revenues

1508 ACM RATE RIDER REVENUES								
Rate Class	RR Collected May-Dec, 2024	RR Collected Jan-Dec, 2025	RR Collected Jan-Jun, 2026	RR Expected Collection Jul-Dec, 2026	RR Expected Collection Jan-Apr, 2027	ACM Principal RR Revenues	ACM Interest	1508 ACM RR Revenue Total Balance
	$	$	$	$	$	$	$	$
RESIDENTIAL SERVICE	48,811	73,942	36,387	37,996	24,952	222,087	8,912	230,999
GENERAL SERVICE LESS THAN 50 KW	9,623	14,608	7,163	7,518	4,943	43,855	1,756	45,612
GENERAL SERVICE 50 TO 4,999 KW	12,221	18,673	9,573	9,254	6,197	55,918	2,254	58,172
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	92	142	70	70	47	421	17	438
STANDBY POWER	-	-	-	-	-	-	-	-
LARGE USE SERVICE	1,234	1,851	926	926	617	5,553	225	5,778
STREET LIGHTING	-	-	-	-	-	-	-	-
SENTINEL LIGHTING	39	58	28	29	19	173	7	180
UNMETERED SCATTERED LOAD	126	189	95	95	63	568	23	590
Total	**72,145**	**109,462**	**54,242**	**55,887**	**36,838**	**328,575**	**13,194**	**341,769**

The ACM project did not go live during the period of the rate rider. Therefore, London Hydro proposes to refund the total amount of funds collected, as presented in Table 9-26, to customers of the same rate class whom it was collected it from, with applicable carrying charges. Please refer to Section 2.7.3 in Exhibit 2 for additional information.

Table 9-26– Proposed Refund to Customers

ACM RATE RIDER AND CARRYING CHARGES SUMMARY					
	2024 Actual	2025 Actual	2026 Bridge	2027 Test	TOTAL
	$	$	$	$	$
ACM Rate Rider Revenues	72,145	109,462	110,130	36,838	328,575
Carrying Charges	968	3,753	5,912	2,562	13,194
Total Projected Revenues with Interest to April 30, 2027	73,113	113,215	116,041	39,400	341,769
Proposed Refund to Customers					**(341,769)**

9.4.6 Account 1509 Impacts Arising from the COVID-19 Emergency

In March 2020, shortly after the Ontario Government declared a state of emergency in response to the COVID-19 pandemic, the OEB established a deferral account in which rate-regulated utilities could record incremental costs related to the pandemic. Subsequent to establishment of the deferral account, the OEB consulted with stakeholders to determine the rules and operations of the Account. This consultation was followed by the Report entitled *Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency* (COVID-19 Report) issued on June 17, 2021 which provides the following four sub-accounts under the main Account 1509 – Impacts Arising from the COVID-19 Emergency to track related expenses:

1) Impacts from Complying with Government/OEB-Initiated Customer Relief Programs
2) Bad Debt
3) Capital-related Revenue Requirement Impacts
4) Other Costs and Savings

The COVID-19 Report provided an outline of two specific pools of costs which could be recorded in Account 1509. Eligible costs would either form part of a general pool eligible for a recovery rate of 50% or an exceptional pool eligible for a recovery rate of 100%. In addition, costs in the general pool are subject to a means test of achieved ROE compared to a utility's OEB-approved ROE less 300 bps while costs in the exceptional pool are subject to a means test of achieved ROE compared to a utility's OEB-approved ROE plus 300 bps. Costs eligible for the exceptional pool include:

- Implementation costs of emergency time-of-use (TOU) rates and deferred Global Adjustment charges for electricity distributors
- Implementation and administration costs of CEAP and CEAP-SB
- Increased LEAP EFA funding
- Lost revenues from certain reduced/waived specific service charges
- Incremental bad debt directly attributable to the extension of the winter disconnection ban

The OEB noted that it expects applications for the COVID-19 Account to be filed only on an exceptions basis for costs not related to mandated government or OEB-initiated programs. London Hydro is strictly seeking disposition for costs related to mandated government or OEB-initiated programs, which fall under the Exceptional Pool as outlined in the COVID-19 Report. The amounts proposed for recovery have not been recorded in any other existing generic or London Hydro specific accounts, ensuring there is no double-counting across multiple ratemaking mechanisms. London Hydro confirms that it met the applicable means test in 2020 (achieved ROE compared to OEB-approved ROE plus 300 bps), and that all amounts included for recovery were incremental and prudently incurred. A summary of the costs recorded in Account 1509 are include in Table 9-27 below.

Table 9-27 - Summary of Costs Recorded in Account 1509 - Impacts Arising from the COVID-19 Emergency

Summary of Costs Included in Account 1509 Impacts Arising from the COVID-19 Emergency					
Description	Year	Gov./OEB Initiated Customer Relief Impacts	Bad Debts	Capital-related Revenue Requirement Impacts	Other Costs and Savings
		$	$	$	$
Waived Late Payment Charges	2020	683,397	-	-	-
Incremental LEAP Funding	2020	100,000	-	-	-
Total		783,397			

9.4.6.1 Waived Late Payment Charges

To assist customers experiencing financial hardship, London Hydro waived late payment charges through to July 31, 2020, as permitted by the OEB in its correspondence dated March 27, 2020. The Company also extended flexible payment options to customers to help them through this unprecedented period. In total, waived late payments charges amounted to $683,397 in 2020.

9.4.6.2 Costs Associated with Billing and System Changes

Although London Hydro did revise its billing system to implement the emergency TOU rates and the subsequent customer choice pricing model, the incremental costs incurred were immaterial.

9.4.6.3 Bad Debts

On March 19, 2020, the Ontario Energy Board announced that the provincial Winter Disconnection Ban for residential customers, scheduled to end on April 30, 2020, was to be extended by an additional three months to July 31, 2020 (EB-2020-0109) and extended the disconnection ban to include all other low-volume customers, such as small business customers. As mentioned above, the OEB also called on distributors to be more flexible on arrears payment arrangements. Although incremental bad debt expenses were incurred as a result of the extension of the Winter Disconnection Ban to July 31, 2020 London Hydro chose not to apply for recovery of any amounts in Account 1509 for this category as part of this Application.

9.4.6.4 LEAP Funding

The Low-income Energy Assistance Program Emergency Financial Assistance, or LEAP EFA ("LEAP") program provides emergency financial relief for eligible low-income customers to assist them in paying their electricity bills. In London, this program is administered through the Salvation Army Centre of Hope. The OEB determined that permitting additional funding would help address the increased need for financial support resulting from the pandemic, particularly for consumers who had not previously accessed the program but faced difficulty paying their energy bills due to COVID-19 impacts.

London Hydro provided an additional payment of $200,000, double the Company's regular annual funding, to support customers facing increased financial hardship during the pandemic. Of this additional contribution, $100,000 has been recorded in Account 1509 for recovery.

9.4.6.5 Incremental OM&A Expenditures

London Hydro confirms that it has not included any other incremental OM&A expenditures in account 1509 relating to the COVID-19 emergency. Though incurred, these expenditures were charged to OM&A since they did not meet with materiality threshold requirements for recovery.

As an essential service, London Hydro remained open during the COVID-19 outbreak and made every effort to keep activities 'business as usual'. The health and safety of individuals is always

the Company's top priority and this held especially true during the pandemic. Incremental OM&A expenditures incurred and absorbed by London Hydro include expenses such as: additional personal protection equipment, signage, cleaning services, cleaning supplies and expenses incurred to accommodate physical distancing. For example, additional vehicle leases so no more than one employee was in a vehicle at a time.

9.4.6.6 Postponement of Disposition

London Hydro requested disposition of the Account 1509 – COVID-19 impact deferral accounts in its 2022 Cost of Service Rate Application. As part of settlement, it was agreed that the Company would defer disposition of the audited balances at December 31, 2020 until its next rebasing application. This deferral would allow all amounts associated with the COVID-19 to be disposed of at the same time. London Hydro confirms that no amounts have been recorded in the COVID-19 deferral accounts subsequent to December 31, 2020, with the exception of carrying charges.

As detailed in Table 9-28 London Hydro requests disposition of the December 31, 2025 balance including forecasted interest up to April 30, 2027, totalling $936,250 as a recovery from customers.

Table 9-28 - Account 1509 Impacts Arising from the COVID-19 Emergency Disposition Calculation

Account 1509 Impacts Arising from the COVID-19 Emergency Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	783,397	126,309	909,706
Adjustment to Projected Balance to Dec. 31, 2026	-	-	-
Balance for Disposition	**783,397**	**126,309**	**909,706**
Interest January to December 2026		19,976	19,976
Interest January to April 2027		6,568	6,568
Total Claim for Disposition	**783,397**	**152,853**	**936,250**

London Hydro proposes to discontinue Account 1509.

9.4.7 Account 1511 Incremental Cloud Computing Implementation Costs Deferral

In a letter dated November 2, 2023, the OEB established a generic deferral account relating to incremental cloud computing implementation costs. Under IFRS accounting standards, costs for cloud computing solutions are typically expensed as incurred, while costs for on-premise solutions are typically capitalized in accordance with the utility's capitalization policy. Under the current regulatory accounting treatment, capitalized costs for on-premise solutions are included in a utility's rate base and attract a return at the utility's weighted average cost of capital (WACC) while cloud computing solution costs would be treated as operational expenditures and recorded in OM&A. Consequently, if a utility incurs costs to implement cloud computing solutions during the incentive-rate setting period, there would be no mechanism to recover these incremental operating costs. To eliminate the perceived regulatory barrier to adopting cloud solutions and encourage technology advancement in the industry, the OEB established Account 1511 Incremental Cloud Computing Implementation Costs Deferral, effective December 1, 2023. This account is used to record incremental cloud computing implementation costs incurred by utilities and any related offsetting savings, if applicable.

London Hydro is seeking disposition of the balances tracked in this account for a distinct cloud implementation project, a Customer Information System ("CIS") Refresh (SAP S/4 HANA) project. The recorded amounts in this account represent third-party Infrastructure-as-a-Service (IaaS) costs directly associated with the implementation of this cloud solution. London Hydro determined that these amounts were incremental and material to amounts included in base rates, as they pertain solely to this standalone project and were not incorporated into base rates during the prior rate application (EB-2021-0041).

No offsetting savings were realized or recorded in Account 1511 during the period, as London Hydro maintained its legacy CIS system concurrently to ensure operational continuity. In addition, as outlined in Exhibit 2, Section 2.7, this project is currently paused.

A breakdown of the costs by year is provided in Table 9-29.

Table 9-29 - Account 1511 Incremental Cloud Computing Implementation Costs Summary

Account 1511 Incremental Cloud Computing Implementation Costs Summary				
Costs	2024 Actuals	2025 Actuals	2026 Forecast	Total
	$	$	$	$
CIS Implementation Costs:				
Infrastructure-as-a-Service	389,979	1,136,647	830,000	2,356,626

As detailed in Table 9-30 London Hydro requests disposition of the December 31, 2026 projected balance including forecasted interest up to April 30, 2027, totalling $2,462,381 as a recovery from customers. London Hydro has been able to reasonably forecast entries up to the effective date of new rates, allowing the account balance to be disposed of in its entirety. As discussed in Section 9.5.2.1, London Hydro proposes a one-year disposition period. A one-year period is appropriate because the underlying expenditures represent third-party IaaS hosting costs incurred exclusively during implementation, yielding no ongoing assets and there is no multi-year contract term.

Table 9-30 - Account 1511 Incremental Cloud Computing Implementation Costs Disposition Calculation

Account 1511 Incremental Cloud Computing Implementation Costs Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	1,526,626	34,787	1,561,413
Adjustment to Projected Balance to Dec. 31, 2026	830,000	-	830,000
Balance for Disposition	**2,356,626**	**34,787**	**2,391,413**
Interest January to December 2026		51,211	51,211
Interest January to April 2027		19,757	19,757
Total Claim for Disposition	**2,356,626**	**105,755**	**2,462,381**

London Hydro does not propose to track further costs in Account 1511 during the upcoming rate term and proposes to discontinue Account 1511.

9.4.8 Account 1522 Pension and OPEB Forecast Accrual versus Actual Cash Payment Differential Variance Account

On September 14, 2017, the OEB issued its final report (EB-2015-0040) titled Regulatory Treatment of Pension and Other Post-Employment Benefit (OPEBs) Costs (Report). The Report established accrual accounting as the default method on which to set rates for pension and OPEB amounts in cost-based applications. It also established the use of a variance account (Account 1522) to track the difference between the forecast accrual amount in rates and the actual cash payments made, applying asymmetric carrying charges in favour of ratepayers to the differential.

London Hydro participates in the Ontario Municipal Employees Retirement System (OMERS) multi-employer plan, which is effectively treated as a defined contribution plan. No entries are required to be posted to Account 1522 regarding OMERS because the amount embedded in rates and recognized on the financial statements is based on the actual cash contributions paid for the period.

However, London Hydro also provides post-retirement health, dental and life insurance benefits, which do generate differences between the forecast accrual amount in rates and actual cash payments made. London Hydro calculates asymmetric carrying charges on the cumulative differential using the OEB's prescribed Construction Work In Progress ("CWIP") rate, as defined in the Report. Table 9-31 below summarizes the difference between the forecast accrual amounts in rates, actual cash payments, and the cumulative differential on which carrying charges are calculated.

Table 9-31 - Summary of OPEB Forecast Accrual vs. Actual Cash Payments

Summary of Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges					
Period	Accrual in Rates	Actual Cash Payments	Differential	Cumulative Differential	Carrying Charges
	$	$	$	$	$
2022	967,000	905,656	(61,344)	(61,344)	(1,268)
2023	967,000	821,283	(145,717)	(207,061)	(6,652)
2024	967,000	735,833	(231,167)	(438,228)	(15,450)
2025	967,000	512,779	(454,221)	(892,449)	(27,440)
Total					**(50,811)**

As detailed in Table 9-32 London Hydro requests disposition of the December 31, 2025 balance including forecasted interest up to April 30, 2027, totalling $100,030 as a refund to customers.

Table 9-32 - Account 1522 Pension & OPEB Forecast Accrual vs. Actual Cash Payment Differential Carrying Charges Disposition Calculation

Account 1522 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	-	(50,811)	(50,811)
Adjustment to Projected Balance to Dec. 31, 2026	-	-	-
Balance for Disposition	-	**(50,811)**	**(50,811)**
Interest January to December 2026		(36,925)	(36,925)
Interest January to April 2027		(12,294)	(12,294)
Total Claim for Disposition	-	**(100,030)**	**(100,030)**

London Hydro proposes to continue Account 1522.

9.4.9 Account 1592 PILs and Tax Variances, Sub-account – CCA Changes

The OEB requires utilities to track the impact of any differences that result from a legislative or regulatory change to the tax rates or rules that are not incorporated in the distributor's rates. On June 21, 2019, *Bill C-97* (the Budget Implementation Act, 2019, No. 1) received Royal Assent. *Bill C-97* introduced the Accelerated Investment Incentive Property ("AIIP"), which provides for a first-year increase in Capital Cost Allowance ("CCA") deductions on eligible capital assets acquired after November 20, 2018 and made available for use before 2028. The program phases out for eligible capital assets acquired during 2025 to 2027 and is completely eliminated for acquisitions in 2028 and onwards. On June 23, 2022, *Bill C-19* (Budget Implementation Act, 2022, No. 1) received Royal Assent, establishing immediate CCA expensing up to a maximum of $1.5 million for eligible capital assets acquired after April 19, 2021, and made available for use before January 1, 2024. Most recently, *Bill C-15* (Budget 2025 Implementation Act, No. 1) received Royal Assent on March 26, 2026. *Bill C-15* reinstated AIIP measures for five years, followed by a four-year phase-out timeline from 2030 to 2033. *Bill C-15* defined Reaccelerated Investment Incentive Property ("RIIP") which requires eligible property to be acquired by the taxpayer after 2024 and become available for use before 2034.

Anticipating that the changes announced in Bill C-97 could have a material impact on the taxes and payments-in-lieu of taxes ("PILs") payable by electricity utilities, the OEB issued a letter on July 25, 2019, titled *Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance.* To increase transparency, the OEB established a separate sub-account specifically for the purposes of tracking the impact of changes in CCA rules. Electricity distributors were advised to use this sub-account for the impact of the Bill C-97 CCA rule changes as well as any future CCA changes instituted by the relevant regulatory or taxation bodies.

9.4.9.1 Impact to Account 1592 in 2022 and 2027

2022 Cost of Service Application

London Hydro has followed the direction outlined in the OEB's July 25, 2019 letter to record the full revenue requirement impact of CCA rule changes that are not reflected in base rates. Specifically, impacts for eligible capital assets acquired after November 20, 2018 and up to December 31, 2020, were recorded in Account 1592. London Hydro brought forward this amount, which was approved for disposition, in its 2022 Cost of Service Application. The full benefit of the AIIP, which was applicable in 2022, was incorporated into London Hydro's 2022 OEB approved base rates. London Hydro did not implement a mechanism to smooth the tax impacts of the AIIP over the five-year IRM term of 2022 to 2026, and agreed to continue the use of Account 1592.

2027 Cost of Service Application

The current balance in Account 1592, proposed for disposition in this Application, includes the full revenue requirement impact of the AIIP in 2021, the AIIP phase-out in 2024, and the impact of the immediate CCA expensing in 2021 to 2023. The full benefit of the RIIP was incorporated into London Hydro's 2027 Cost of Service Application, without a mechanism to smooth the tax impact over the five-year IRM term was incorporated.

A summary of the calculation of the net tax savings due to customers is provided in Table 9-33 below. London Hydro confirms that Account 1592 amounts related to ICM/ACM have been included in the account. CCA Continuity Schedules supporting CCA calculations including and excluding the accelerated CCA incentive and CCA temporary immediate expensing are provided under Appendix 9-1 for reference purposes.

Table 9-33 - Summary of CCA Changes Due (to)from Customers

CCA Changes Tax Impact Due (to)from Customers					
Taxation period	CCA excluding AIIP and Immediate Expense	CCA including AIIP and Immediate Expense	CCA Variance	Income Tax @ 26.5%	Grossed Up / 73.5%
	$	$	$	$	$
Jan 1 to Dec 31, 2018 (effective Nov 1, 2018)	22,267,776	23,438,737	(1,170,961)	(310,305)	(422,183)
Jan 1 to Dec 31, 2019	23,983,163	28,548,208	(4,565,045)	(1,209,737)	(1,645,901)
Jan 1 to Dec 31, 2020	24,658,604	27,297,536	(2,638,932)	(699,317)	(951,452)
Approved in 2022 Rate Application	70,909,543	79,284,481	(8,374,938)	(2,219,359)	(3,019,536)
Transfer approved balance May 1, 2022					3,019,536
Jan 1 to Dec 31, 2021	24,727,785	26,840,814	(2,113,029)	(559,953)	(761,840)
Jan 1 to Dec 31, 2022	27,452,500	28,387,461	(934,961)	(247,765)	(337,095)
Jan 1 to Dec 31, 2023	27,374,129	28,074,304	(700,175)	(185,546)	(252,444)
Jan 1 to Dec 31, 2024	27,239,395	25,096,966	2,142,429	567,744	772,440
Jan 1 to Dec 31, 2025	29,142,741	29,272,643	(129,902)	(34,424)	(46,836)
Changes in CCA 2021 to 2025					**(625,775)**

As detailed in Table 9-34 London Hydro requests disposition of the December 31, 2025 balance including forecasted interest up to April 30, 2027, totalling $799,757 as a refund to customers.

Table 9-34 - Account 1592 PILs and Tax Variance - Sub Account CCA Changes Disposition Calculation

Account 1592 PILs and Tax Variance for 2006 and Subsequent Years - Sub Account CCA Changes Disposition Calculation			
Description	Principal	Interest	Total
	$	$	$
December 31, 2025 Balance	(625,775)	(152,779)	(778,554)
Adjustment to Projected Balance to Dec. 31, 2026	-	-	-
Balance for Disposition	**(625,775)**	**(152,779)**	**(778,554)**
Interest January to December 2026		(15,957)	(15,957)
Interest January to April 2027		(5,246)	(5,246)
Total Claim for Disposition	**(625,775)**	**(173,982)**	**(799,757)**

London Hydro proposes to continue Account 1592 to capture the full revenue requirement impact of the phase-out period of the RIIP.

9.5 METHODS OF DISPOSITION OF DVA BALANCES

London Hydro utilized the 2027 DVA Continuity Schedule to allocate the DVA balances to rate classes using the OEB approved allocators. Table 9-35 summarizes the proposed methods of allocations.

Table 9-35 – Summary of Proposed DVA Balance Allocations

ALLOCATION OF BALANCES	
DVA Account	**Allocation Factor**
Group 1	
1551 Smart Metering Entity Charge Variance	Number of customers in Residential and General Service < 50 rate classes
1580 RSVA - Wholesale Market Service Charge	Metered Non-WMP kWh
1580 Variance WMS – Sub-account CBR Class B	Metered Class B Non-WMP kWh
1584 RSVA - Retail Transmission Network Charge	Metered kWh
1586 RSVA - Retail Transmission Connection Charge	Metered kWh
1588 RSVA - Power	Metered Non-WMP kWh
1589 RSVA - Global Adjustment	Metered Class B Non-RPP Non-WMP kWh
1595 Disposition and Recovery/Refund of Regulatory Balances (2022)	Proportional allocation of 2022 variance account remaining balance
Group 2	
1508 GOCA Variance Account	Metered kWh
1508 LEAP EFA Funding Deferal Account	Metered kWh
1508 Green Button Net Revenue Deferral Account	Proposed $ distribution revenue
1508 Advanced Capital Module	Total rate rider revenue $ per rate class
1509 Impacts Arising from the COVID-19 Emergency	Proposed $ distribution revenue
1511 Incremental Cloud Computing Implementation Costs	Metered kWh
1522 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges	Metered kWh
1592 PILs and Tax Variance for 2006 and Subsequent Years-Sub-account CCA Changes	Metered kWh

The proposed methods of balance allocation and rate rider derivation for disposition of the DVA balances for the accounts that have been selected for disposition are described in detail in this

section. The 2027 Deferral and Variance Account Workform, attached in Appendix 9-2, was used to calculate the Group 1 and Group 2 rate riders, as well as the allocation and monthly payments for transition customers where applicable. The ACM Refund balance was allocated and the related rate riders were calculated using the ACM Refund Rate Rider Calculation file, an Excel work book created by London Hydro and attached in Appendix 9-3, since the proposed allocation method is not accommodated by the 2027 DVA Continuity Schedule Work Form.

9.5.1 Group 1 Accounts

Method of disposition: Allocation to rate classes on the basis of the forecasted 2027 kWh energy consumption by customer class and disposition through variable component rate rider based on kWh or kW.

Allocation of costs to customer classes is based upon kWh energy consumption by customer class in accordance with the default cost allocation methodology established by the Board for Group 1 deferral and variance accounts in the Electricity Distributor's Deferral and Variance Account Review Initiative (EDDVAR Report), dated July 31, 2009.

Certain rate riders are not applicable to all customers. London Hydro calculated separate sets of Group 1 rate riders based on the group of customers who contributed to the accumulated variance. The 2027 DVA Continuity Schedule Work Form was used to calculate the Group 1 rate riders and monthly payments for transition customers where applicable.

9.5.1.1 Proposed method of disposition for Rate Rider for DVA Balances

Amount includes accounts 1551 Smart Metering Entity Charge Variance Account, 1584 RSVA Retail Transmission Network Charge, 1586 RSVA Retail Transmission Connection Charge, and 1595 Disposition and Recovery/Refund of Regulatory Balances residual balances. Balances of 1584 and 1586 accounts are allocated to rate classes on basis of the forecasted 2027 kWh energy consumption by customer. 1551 balances were allocated based on the number of customers in Residential and General Services less than 50 kW rate classes. 1595 residual balance is

proposed to be allocated to rate classes in proportion to the residual balance of each rate rider, as described in detail in section 9.3.7.

Disposition is proposed through variable component rate rider based on kWh or kW to all customers.

9.5.1.2 Proposed method of disposition for Rate Rider for DVA Balances to Non-WMP Customers

London Hydro has Wholesale Market Participants (WMP) in its customer base, who settle energy and wholesale market service charges directly with the IESO. Therefore, variances accumulated in Accounts 1580 RSVA Wholesale Market Service Charges and 1588 RSVA Power should not be disposed to WMP customers. These balances are allocated to rate classes on the basis of the forecasted 2027 kWh energy consumption by non-WMP customers only.

Disposition is proposed through variable component rate rider based on kWh or kW to non-WMP customers only.

9.5.1.3 Proposed method of disposition for Rate Rider for RSVA Global Adjustment

The amount proposed for disposition through this rate rider is accumulated in account 1589 RSVA Global Adjustment. Class B Non-RPP non-WMP customers contributed to the variance and, therefore, this balance is allocated to rate classes on basis of the forecasted 2027 kWh energy consumption by Class B non-RPP non-WMP customers only.

Disposition is proposed through energy-based rate rider (kWh) to Class B non-RPP non-WMP customers only.

9.5.1.3.1 Proposed Direct Settlement for RSVA Global Adjustment – Transition Customers

London Hydro has 14 customers who transitioned between Class A and Class B during Year 2025 and contributed to the GA variance only for part of the year. The DVA Continuity Schedule calculated the specific amounts for each customer based on their proportionate consumption while they were Class B customers.

9.5.1.4 Proposed disposition method for Rate Rider for RSVA WMS – Sub-account CBR Class B

The amount in account 1580 RSVA WMS Sub-account CBR Class B related to Class B customers only; therefore, this balance is allocated to rate classes on basis of the forecasted 2027 kWh energy consumption by Class B non-WMP customers only. The billing determinants for Class B customers are calculated by deducting the Class A and Transition kWh and kW from the 2027 forecasted kWh and kW, respectively. The account balance is then allocated based on the kWh applicable to Class B customers only.

Disposition is proposed through variable component rate rider based on kWh or kW to Class B non-WMP customers only.

9.5.1.4.1 Proposed Direct Settlement for RSVA WMS – Sub-account CBR Class B – Transition Customers

London Hydro has 14 customers who transitioned between Class A and Class B during Year 2025 and contributed to the CBR Class B variance only for part of the year. The 2027 DVA Continuity Schedule calculated the specific amounts for each customer based on their proportionate consumption kWh while they were Class B customers.

9.5.2 Group 2 and Other Accounts

Method of disposition: Allocation of balances to rate classes and rate rider calculations are based on parameters provided by the 2027 DVA Continuity Schedule model and in accordance with the default cost allocation and rate rider derivation methodologies established by the Board in the EDDVAR Report, dated July 31, 2009. For some of the Group 2 accounts the allocation factor may be determined on a case-by-case basis.

Disposition is proposed through either a fixed monthly rate rider for all customer classes, or through variable component rate riders for all rate classes except the residential rate class, for which a fixed monthly rate rider is computed based on the number of customers.

The 2027 DVA Continuity Schedule includes all DVA's submitted for disposition. The balance allocations and rate rider derivations are also completed in the model, except for the ACM Refund Rate Rider. The ACM Refund Rate Rider balances were allocated and the associated Rate Riders were derived using the ACM Refund Rate Rider Calculation workbook.

Both models, the 2027 DVA Continuity Schedule and the ACM Refund Rate Rider Calculation, are submitted with this application.

9.5.2.1 Proposed method of disposition for Rate Rider for Group 2 Accounts

Allocation of costs to customer classes of 1508 Other Regulatory Assets – Sub-accounts Getting Ontario Connected Act Variance Account, LEAP EFA Funding Deferral Account, 1511 Incremental Cloud Computing Implementation Costs, 1522 Pension & OPEB Forecast Accrual versus Actual Cash Payment Differential Carrying Charges and 1592 PILs and Tax Variance for 2006 and Subsequent Years – Sub-Account CCA Changes balances is based upon of the forecasted 2027 kWh energy consumption by customer class for simplicity and consistency. The allocation of balance to customer classes in 1508 Green Button Net Revenue Deferral Account is based on the 2027 proposed distribution revenue.

Disposition is proposed through variable component rate riders for all rate classes except the residential rate class, for which a fixed monthly rate rider is computed based on the number of customers, over a 1-year default disposition period.

9.5.2.2 Proposed method of disposition for Rate Rider for ACM Refund

Allocation of the ACM Refund amount to customer classes reflects the actual and forecasted rate rider revenues for the period while the approved ACM Rate Rider is active, May 1, 2024 to April 30, 2027.

Disposition is proposed through a fixed monthly rate rider, based on the number of customers in each relevant rate classes, to refund the total revenues to customers of the same rate classes whom it was collected from, with applicable carrying charges, over a 1-year default disposition period.

The account balance allocation and the calculation of the ACM Refund Rate Rider was not accommodated by the 2027 DVA Continuity Schedule, and therefore, was completed outside of the model using an Excel workbook, enclosed as Appendix 9-3 to this exhibit, titled *LHI_2027_ACM_Refund_Rate_Rider_Calculation_20260828*.

9.5.2.3 Proposed method of disposition for Rate Rider for Account 1509 Impacts Arising from the COVID-19 Emergency

Allocation of costs to customer classes of 1509 Impacts Arising the COVID-19 Emergency is based on the 2027 forecasted distribution revenue, an OEB-approved allocator.

Disposition is proposed through a fixed monthly rate rider for all customer classes over a 1-year default disposition period.

9.6 PROPOSED RATE RIDERS

The proposed rates that result from the disposal of the DVA balances, as requested, are set out in the tables below. The tables provide rate riders that will apply with an effective date of May 1, 2027.

Rate riders calculated for the period commencing May 1, 2027 are based on a 12-month disposition period. Although the delivery component of the bill is a rather small part of the total electricity bill, London Hydro proposes the one-year disposition period to assist its customers with the overall cost of electricity.

9.6.1 Group 1 Accounts

Table 9-36 summarizes the Group 1 balances allocated and proposed for disposition, using the methods described in section 9.5, through the following rate riders and equal monthly payments, where applicable.

Table 9-36– Group 1 Allocated DVA Balances for Disposition

DEFERRAL AND VARIANCE ACCOUNT BALANCES ALLOCATED FOR DISPOSITION	
Group 1 Allocated Balances Proposed for Disposition Through	**Amount**
	$
Rate Rider for Deferral / Variance Accounts Balances	1,465,203
Rate Rider for Deferral / Variance Accounts Balances- non-WMPs only	(1,642,257)
Rate Rider for Global Adjustment Variance	(5,320,690)
Global Adjustment Class B Direct Settlement to Transition Customers	(226,080)
Rate Rider for Account 1580 RSVA WMS, Sub-account CBR Class B	1,424,968
CBR Class B Direct Settlement to Transition Customers	20,076
	(4,278,778)

9.6.1.1 Proposed Rate Rider for Deferral / Variance Account Balances (excluding Global Adj.)

The proposed Rate Rider for Disposition of Deferral/Variance Accounts is calculated in Table 9-37. This rate rider is applicable to all customers and is proposed through variable component rate rider based on kWh or kW.

Table 9-37 – Rate Rider Calculation for DVA Balances

Rate Rider Calculation for Deferral / Variance Accounts Balances				
Rate Class	Units	kW / kWh	Allocated Group 1 Balance to All Classes	Rate Rider for Deferral/ Variance Accounts
			$	$
RESIDENTIAL SERVICE	kWh	1,246,806,817	(119,273)	**(0.0001)**
GENERAL SERVICE LESS THAN 50 KW	kWh	419,590,049	(37,455)	**(0.0001)**
GENERAL SERVICE 50 TO 4,999 KW	kW	3,658,332	1,475,841	**0.4034**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION	kW	67,532	(37,285)	**(0.5521)**
STANDBY POWER	kW	196,800	54,966	**0.2793**
LARGE USE SERVICE	kW	308,313	47,882	**0.1553**
STREET LIGHTING	kW	50,167	81,375	**1.6221**
SENTINEL LIGHTING	kW	1,334	(51)	**(0.0384)**
UNMETERED SCATTERED LOAD	kWh	5,443,581	(796)	**(0.0001)**
Total			**1,465,203**	

9.6.1.2 Proposed Rate Rider for Deferral / Variance Account Balances Non-WMP

The proposed Rate Rider for Disposition of Deferral/Variance Accounts applicable only for Non-WMP is calculated in Table 9-38. This rate rider is applicable to non-WMP customers only and is proposed through variable component rate rider based on kWh or kW.

Table 9-38 – Rate Rider Calculation for DVA Balances to Non-WMP Customers

Rate Rider Calculation for Deferral / Variance Accounts Balances - non-WMP Customers				
Rate Class	Units	kW	Allocated Group 1 Balance to Non-WMP	Rate Rider for Deferral/ Variance Accounts
			$	$
GENERAL SERVICE 50 TO 4,999 KW	kW	3,633,996	(1,602,268)	**(0.4409)**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION	kW	48,562	(8,318)	**(0.1713)**
STANDBY POWER	kW	184,800	(31,670)	**(0.1714)**
Total			**(1,642,257)**	

9.6.1.3 Proposed Rate Rider for Global Adjustment

The proposed Rate Rider for Disposition of Global Adjustment Account is calculated in Table 9-39. This rate rider is applicable to non-RPP non-WMP customers only and is proposed through an energy-based rate rider billed on kWh.

Table 9-39 – Rate Rider Calculation for RSVA Global Adjustment

Rate Rider Calculation for Global Adjustment Variance				
Rate Class	**Units**	**kWh**	**Allocated Global Adjustment Balance**	**Rate Rider for Global Adjustment**
			$	$
RESIDENTIAL SERVICE	kWh	14,255,228	(85,566)	**(0.0060)**
GENERAL SERVICE LESS THAN 50 KW	kWh	64,969,534	(389,975)	**(0.0060)**
GENERAL SERVICE 50 TO 4,999 KW	kWh	774,076,402	(4,646,338)	**(0.0060)**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	kWh	4,208,142	(25,259)	**(0.0060)**
STANDBY POWER	kWh	11,014,062	(66,111)	**(0.0060)**
LARGE USE SERVICE	kWh	-	-	**-**
STREET LIGHTING	kWh	17,892,936	(107,401)	**(0.0060)**
SENTINEL LIGHTING	kWh	4,135	(25)	**(0.0060)**
UNMETERED SCATTERED LOAD	kWh	2,475	(15)	**(0.0060)**
Total			**(5,320,690)**	

9.6.1.4 Proposed Direct Settlement for RSVA Global Adjustment – Transition Customers

London Hydro proposes to settle the ($226,080) RSVA Global Adjustment related to transition customers through a 12-month equal adjustment to monthly bills, consistent with the EDDVAR Report. The proposed settlement amounts generated for each transition customer are presented in Table 9-40. If any of the affected customers express a clear preference for a one-time settlement, London Hydro will accommodate such request.

Table 9-40 – Proposed Direct Settlement for RSVA GA – Transition Customers

GLOBAL ADJUSTMENT DIRECT SETTLEMENT		
Customer	Customer Specific GA Allocation for the Period When They Were a Class B customer	Monthly Equal Payments
	$	$
Customer 1	(29,035)	(2,420)
Customer 2	(4,982)	(415)
Customer 3	(21,461)	(1,788)
Customer 4	(6,745)	(562)
Customer 5	(5,132)	(428)
Customer 6	(4,159)	(347)
Customer 7	(5,968)	(497)
Customer 8	(12,199)	(1,017)
Customer 9	(67,703)	(5,642)
Customer 10	(6,038)	(503)
Customer 11	(4,839)	(403)
Customer 12	(33,010)	(2,751)
Customer 13	(14,021)	(1,168)
Customer 14	(10,786)	(899)
Total	**(226,080)**	**(18,840)**

9.6.1.5 Proposed Rate Rider for Account 1580 RSVA WMS, Sub-account CBR Class B

The proposed Rate Rider for Disposition of Capacity Based Recovery Account is calculated in Table 9-41. This general rate rider is applicable to Class B customers only, including all new Class B customers, and is proposed through variable component rate rider based on kWh or kW. It shall be applied consistently for the entire period to the expiration date of the rate rider. This rate rider is not applicable to wholesale market participants, customers who were Class A or transitioned between Class A and Class B during the period when the variance accumulated.

Table 9-41 – Rate Rider Calculation for Account 1580 RSVA WMS, Sub-account CBR Class B

Rate Rider Calculation for Account 1580 RSVA WMS, Sub-account CBR Class B				
Rate Class	Units	kW / kWh	Allocated Sub-account 1580 CBR Class B Balance	Rate Rider for Sub-account 1580 CBR Class B
			$	$
RESIDENTIAL SERVICE	kWh	1,246,806,817	666,165	**0.0005**
GENERAL SERVICE LESS THAN 50 KW	kWh	419,590,049	224,186	**0.0005**
GENERAL SERVICE 50 TO 4,999 KW	kW	2,543,273	513,753	**0.2020**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION	kW	27,485	2,247	**0.0818**
STANDBY POWER	kW	72,000	5,886	**0.0818**
LARGE USE SERVICE	kW	-	-	**-**
STREET LIGHTING	kW	50,167	9,560	**0.1906**
SENTINEL LIGHTING	kW	1,334	263	**0.1971**
UNMETERED SCATTERED LOAD	kWh	5,443,581	2,908	**0.0005**
Total			**1,424,968**	

9.6.1.6 Proposed Direct Settlement for Account 1580 RSVA WMS, Sub-account CBR Class B – Transition Customers

Transition customers have a customer specific CBR Class B variance allocation based on their contribution during the period they were Class B, and will settle their portion of the variance through monthly equal payments.

London Hydro proposes to settle the $20,076 RSVA WMS, Sub-account CBR Class B amount related to transition customers through a 12-month equal adjustment to monthly bills, consistent with the EDDVAR Report. The proposed settlement amounts are listed in Table 9-42. If any of the affected customers express a clear preference for a one-time settlement, London Hydro will accommodate such request.

Table 9-42 – Proposed Direct Settlement for RSVA WMS Sub-account CBR Class B – Transition Customers

RSVA WMS, Sub-account CBR Class B DIRECT SETTLEMENT		
Customer	Customer Specific CBR Class B Allocation for the Period When They Were a Class B Customer	Monthly Equal Payments
	$	$
Customer 1	2,578	215
Customer 2	442	37
Customer 3	1,906	159
Customer 4	599	50
Customer 5	456	38
Customer 6	369	31
Customer 7	530	44
Customer 8	1,083	90
Customer 9	6,012	501
Customer 10	536	45
Customer 11	430	36
Customer 12	2,931	244
Customer 13	1,245	104
Customer 14	958	80
Total	**20,076**	**1,673**

9.6.2 Group 2 and Other Accounts

Table 9-43 summarizes the Group 2 balances allocated and proposed for disposition, using the methods described in section 9.5, through rate riders calculated in this section.

Table 9-43 – Group 2 Allocated DVA Balances for Disposition

DEFERRAL AND VARIANCE ACCOUNT BALANCES ALLOCATED FOR DISPOSITION	
Group 2 Allocated Balances Proposed for Disposition Through	Amount
	$
Rate Rider for Group 2 Accounts	4,254,660
Rate Rider for ACM Refund	(341,769)
Rate Rider for Account 1509	936,250
	4,849,141

9.6.2.1 Proposed Rate Rider for Group 2 Accounts

The proposed Rate Rider for Group 2 Deferral/Variance Account Balances is presented in Table 9-44. This rate rider is applicable to all customers and is proposed through a variable component rate rider based on kWh or kW for all rate classes except for the residential rate class. Disposition for the residential rate class is proposed through a fixed monthly rate rider based on the number of customers.

Table 9-44 – Rate Rider Calculation for Group 2 Accounts

Rate Rider Calculation for Group 2 Accounts				
Rate Class	Units	kW / kWh / # of Customers	Allocated Group 2 Balance	Rate Rider for Group 2 Accounts
			$	$
RESIDENTIAL SERVICE	# of Customers	156,277	1,533,955	**0.82**
GENERAL SERVICE LESS THAN 50 KW	kWh	419,590,049	535,739	**0.0013**
GENERAL SERVICE 50 TO 4,999 KW	kW	3,658,332	1,894,931	**0.5180**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION	kW	67,532	11,261	**0.1667**
STANDBY POWER	kW	196,800	37,501	**0.1906**
LARGE USE SERVICE	kW	308,313	212,757	**0.6901**
STREET LIGHTING	kW	50,167	21,240	**0.4234**
SENTINEL LIGHTING	kW	1,334	520	**0.3895**
UNMETERED SCATTERED LOAD	kWh	5,443,581	6,757	**0.0012**
Total			**4,254,660**	

9.6.2.2 Proposed Rate Rider for ACM Refund

The ACM Refund Rate Rider was calculated outside of the 2027 DVA Continuity Schedule model. The calculations were completed using a separate Excel workbook titled *LHI_ACM_Refund_Rate_Rider_Calculation_20260828*, Appendix 9-3 of this exhibit. The Rate Rider for Account 1508 ACM Refund is presented in Table 9-45.

London Hydro proposes to refund the total amount of funds to customers of the same rate class whom it collected it from, with applicable carrying charges.

This rate rider is applicable to all customers except Street Lighting. Disposition is proposed through a fixed monthly rate rider based on the number of customers in each relevant rate classes.

Table 9-45 – Proposed Rate Rider for ACM Refund

Rate Rider Calculation for ACM Refund				
Rate Class	Units	kW / kWh / # of Customers	Allocated Account 1508 ACM Balance	Rate Rider for ACM Refund
			$	$
RESIDENTIAL SERVICE	# of Customers	156,277	(230,999)	**(0.12)**
GENERAL SERVICE LESS THAN 50 KW	# of Customers	13,764	(45,612)	**(0.28)**
GENERAL SERVICE 50 TO 4,999 KW	# of Customers	1,519	(58,172)	**(3.19)**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	# of Customers	7	(438)	**(5.21)**
STANDBY POWER	# of Customers	7	-	**-**
LARGE USE SERVICE	# of Customers	2	(5,778)	**(240.77)**
STREET LIGHTING	# of Customers	41,543	-	**-**
SENTINEL LIGHTING	# of Customers	466	(180)	**(0.03)**
UNMETERED SCATTERED LOAD	# of Customers	1,585	(590)	**(0.03)**
Total			**(341,769)**	

9.6.2.3 Proposed Rate Rider for Account 1509 Impacts Arising from the COVID-19 Emergency

The proposed Rate Rider for Disposition of Account 1509 is calculated in Table 9-46. This rate rider is applicable to all customers and is proposed through a fixed monthly rate rider based on the number of customers.

Table 9-46 – Proposed Rate Rider for Account 1509

Rate Rider Calculation for Account 1509				
Rate Class	Units	kW / kWh / # of Customers	Allocated Account 1509 Balance	Rate Rider for Account 1509
			$	$
RESIDENTIAL SERVICE	# of Customers	156,277	601,164	**0.32**
GENERAL SERVICE LESS THAN 50 KW	# of Customers	13,764	115,477	**0.70**
GENERAL SERVICE 50 TO 4,999 KW	# of Customers	1,519	180,042	**9.88**
GENERAL SERVICE 1,000 TO 4,999 KW (CO-GENERATION)	# of Customers	7	2,225	**26.49**
STANDBY POWER	# of Customers	7	6,909	**82.25**
LARGE USE SERVICE	# of Customers	2	15,385	**641.03**
STREET LIGHTING	# of Customers	41,543	12,073	**0.02**
SENTINEL LIGHTING	# of Customers	466	619	**0.11**
UNMETERED SCATTERED LOAD	# of Customers	1,585	2,357	**0.12**
Total			**936,250**	

9.7 REQUEST FOR APPROVAL OF THE USE OF NEW VARIANCE ACCOUNTS

London Hydro is not requesting any new deferral or variance account in this application.

9.8 LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT FOR NWS ACTIVITIES

London Hydro currently has no LRAMVA balance and does not request a disposition of Account 1508 LRAMVA in this application.

The NWS Guidelines state that a distributor may request the use of an LRAMVA for distribution rate-funded Non-Wires Solutions (NWS) activities or Local Initiatives Program (LIP) activity on a case-by-case basis.

London Hydro proposes the continuation of Account 1568. Although London Hydro does not currently take part in NWS or LIP activities, it may decide to participate in eligible programs in the future.

9.9 ENERGY SALES AND COST OF POWER

The sale of energy is a flow through revenue and the cost of power is a flow through expense. Cost of power expense and energy sales by component are presented in Table 9-47 and Table 9-48 respectively, as reported in the audited financial statements and the trial balance by Uniform System of Accounts. London Hydro has no profit or loss resulting from the flow through energy revenues and expenses. Any temporary variances are included in the RSVA balances. Under IFRS 14 – Regulatory Deferral Accounts, the net change of the regulatory deferral account balances including retail sales variances, is presented separately in the Statement of Comprehensive Income as Movement of regulatory balances.

London Hydro calculated the cost of power for the 2026 Bridge Year and 2027 Test Year based on the results of the load forecast discussed in detail in Exhibit 3. The commodity prices used in the calculation were prices published in the Board's Regulated Price Plan Report – November 1, 2025 to October 31, 2026, issued October 17, 2025. Should the Board publish a revised Regulated Price Plan Report prior to the Decision, London Hydro will update the electricity prices in the forecast.

The detailed calculation of the Cost of Power for the 2027 Test Year is included in Chapter 2 Appendices Tab App.2-ZB_Cost of Power.

Table 9-47 – Cost of Power

COST OF POWER PURCHASED							
	Account	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
		$	$	$	$	$	$
Power Purchased	4705	248,668,253	208,634,207	241,730,597	289,781,642	320,982,382	325,237,943
Global Adjustment	4707	64,865,097	97,075,170	96,850,654	61,469,152	75,275,954	75,553,870
Charges WMS	4708	19,378,391	14,001,968	19,994,401	16,840,704	17,893,178	18,088,314
Charges NW	4714	33,126,977	33,903,329	37,081,992	40,976,687	40,884,145	41,176,263
Charges CN	4716	24,454,013	25,911,147	27,599,153	30,351,367	30,573,950	30,938,150
Smart Metering Entity Charge	4751	476,983	511,018	700,398	770,869	849,754	857,012
Power Supply		**390,969,713**	**380,036,838**	**423,957,194**	**440,190,421**	**486,459,362**	**491,851,551**
OER Impact		(53,777,652)	(35,608,499)	(63,539,443)	(47,393,822)	(64,800,022)	(65,903,045)
Power Supply after OER		**337,192,061**	**344,428,339**	**360,417,751**	**392,796,598**	**421,659,340**	**425,948,506**

Table 9-48 – Energy Sales

ENERGY COSTS BILLED							
	Account	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Bridge Year	2027 Test Year
		$	$	$	$	$	$
Residential Energy Sales	4006	(120,427,676)	(108,048,540)	(130,528,606)	(123,552,927)	(158,944,035)	(162,209,275)
Energy Sales to Large Users	4020	(10,164,196)	(11,705,986)	(13,606,042)	(16,144,250)	(14,002,983)	(14,253,343)
Street Lighting Energy Sales	4025	(1,557,721)	(1,700,581)	(1,754,573)	(1,928,081)	(2,132,471)	(2,159,656)
Sentinel Lighting Energy Sales	4030	(52,676)	(48,167)	(55,169)	(50,211)	(65,125)	(64,207)
General Service Energy Sales	4035	(161,962,016)	(158,515,495)	(166,127,907)	(178,439,024)	(195,192,946)	(196,028,890)
Revenue Adjustment	4050	3,125,963	(3,350,634)	(4,158,563)	(2,706,974)		
Energy Sales for Resale	4055	(22,495,028)	(22,339,974)	(22,350,389)	(28,429,327)	(25,920,776)	(26,076,441)
Billed WMS	4062	(19,378,391)	(14,001,968)	(19,994,401)	(16,840,704)	(17,893,178)	(18,088,314)
Billed NW	4066	(33,126,977)	(33,903,329)	(37,081,992)	(40,976,687)	(40,884,145)	(41,176,263)
Billed CN	4068	(24,454,013)	(25,911,147)	(27,599,153)	(30,351,367)	(30,573,950)	(30,938,150)
Billed Smart Metering Entity Cha	4076	(476,983)	(511,018)	(700,398)	(770,869)	(849,754)	(857,012)
		(390,969,713)	**(380,036,838)**	**(423,957,194)**	**(440,190,421)**	**(486,459,362)**	**(491,851,551)**
OER Impact		53,777,652	35,608,499	63,539,443	47,393,822	64,800,022	65,903,045
		(337,192,061)	**(344,428,339)**	**(360,417,751)**	**(392,796,598)**	**(421,659,340)**	**(425,948,506)**

APPENDIX 9-1

CCA CONTINUITY SCHEDULES (LIVE EXCEL)

APPENDIX 9-2

DEFERRAL AND VARIANCE ACCOUNT WORKFORM (LIVE EXCEL)

APPENDIX 9-3

ACM REFUND RATE RIDER CALCULATION

(LIVE EXCEL)

APPENDIX 9-4

COMMODITY ACCOUNTS ANALYSIS WORKFORM (LIVE EXCEL)