

## REGULATORY ACCOUNTS

### 1. INTRODUCTION

The purpose of this Exhibit is to provide a description of Hydro One Distribution's regulatory accounts.

All of the regulatory accounts reported by Hydro One Distribution have been established consistent with the Ontario Energy Board's ("the Board") requirements as set out in the Accounting Procedures Handbook, subsequent Board direction, or as per specific requests initiated by Hydro One Distribution.

Hydro One Distribution's outstanding regulatory account balances are summarized in Table 1. Hydro One Distribution has not made any adjustments to regulatory account balances that were previously approved by the Board on a final basis.

**Table 1: Summary of Regulatory Accounts Balances Outstanding (\$ Millions)**

Description	Balance as at Dec. 31, 2013	Balance as at Dec. 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
<b>Total Regulatory Accounts</b>	(46.8)*	19.2	83.2	97.2	92.0

*\*Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million.*

The forecast interest for 2017 is calculated by applying simple interest on the actual audited December 31, 2016, year-end balance using the Board's prescribed 4<sup>th</sup> quarter interest rate of 1.1%, as per the Bankers' Acceptances three-month rate plus a spread of 25 basis points. This is consistent with the Board's methodology on prescribing interest rates for the approved regulatory accounts under the Uniform System of Accounts for natural gas utilities and electricity distributors (EB-2006-0117).

Witness: Samir Chhelavda

1 Information on each regulatory account and its balance is further described in detail in  
2 Section 2.0 of this Exhibit; with a complete continuity schedule provided in Attachment 1  
3 and a schedule of account balances provided in Attachment 2 of this Exhibit. Further  
4 details on the regulatory accounts are provided in subsequent Exhibits:

- 5
- 6 • Exhibit F1, Tab 2, Schedule 1: Planned Disposition of Regulatory Accounts; and
  - 7 • Exhibit F1, Tab 3, Schedule 1: Regulatory Accounts Requested.
- 8

9 **2. REGULATORY ACCOUNTS**

10

11 A list of Hydro One Distribution's regulatory accounts and associated balances is  
12 provided in Table 2.

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**Table 2: Regulatory Accounts (\$ Millions)**

Description	US of A Account Ref.	Balance as at Dec. 31, 2013	Balance as at Dec. 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
<b>Regulatory Accounts Seeking Continuance and Disposition</b>						
Retail Settlement Variance Accounts (excluding Global Adjustment)	1550 to 1588	(13.1)	(2.1)	49.5	30.4	30.7
Retail Cost Variance Accounts	1518/1548	1.0	0.7	0.0	0.7	0.7
Pension Cost Differential Account	1508	59.3	78.9	23.0	7.9	7.9
Tax Rate Changes Account	1592	(17.5)	(21.9)	(4.3)	(4.4)	(4.4)
OEB Cost Differential Account	1508	0.0	0.0	0.0	(1.3)	(1.3)
Smart Meter Entity Charge Variance Account	1551	0.7	0.5	0.3	(0.1)	(0.1)
<b>Regulatory Accounts Seeking Disposition Only</b>						
Revenue Offset Difference Account – Pole Attachment Charge	2405	0.0	0.0	0.0	(2.2)	(2.3)
Bill Impact Mitigation Variance Account	1508	0.0	0.0	1.8	2.3	2.4
Microfit Connection Charge Variance Account	1508	(1.6)	(2.4)	(0.8)	(0.8)	(0.8)
Distribution Generation – Other Costs – HONI - Variance Account	1533	(1.2)	(0.6)	0.6	0.6	0.6
Distribution Generation– Express Feeders - HONI - Variance Account	1533	(0.3)	(0.3)	(0.0)	(0.0)	(0.0)
Smart Grid Variance Account	1536	(1.1)	(12.8)	(11.9)	(12.1)	(12.2)
Distribution System Code (DSC) Exemption Deferral Account	1508	6.6	16.0	9.5	9.6	9.7
<b>Total Regulatory Accounts for Disposition</b>		<b>32.9</b>	<b>56.0</b>	<b>67.8</b>	<b>30.6</b>	<b>30.9</b>
<b>Regulatory Accounts Not Seeking Disposition</b>						
RRRP	1508	2.3	1.2	(1.8)	0.0	0.0
Distribution Generation – Other Costs – Provincial - Variance Account	1533	(48.1)	(64.0)	(60.5)	(52.7)	(53.3)
Distribution Generation – Express Feeders – Provincial – Variance Account	1533	(3.6)	(4.8)	(4.9)	(5.0)	(5.0)
Rider 2015 to 2017 – Disposition and Recovery of Regulatory Balances (OEB Approved)	1595	0.0	0.0	20.4	6.7	0.4
Revenue Difference Account – Pole Attachment Charge	1508	0.0	0.0	0.0	1.0	1.0
Long Term Load Transfer Rate Impact Mitigation Deferral Account	1508	0.0	0.0	0.0	0.0	0.0
Smart Grid Fund (SGF) Pilot Deferral Account	1508	0.0	0.0	0.0	0.0	0.0
Retail Settlement Variance Account – Power – Sub-Account – Global Adjustment	1589	(22.4)	9.2	62.2	116.6	117.9
Others		(7.8)	21.6	0.0	0.0	0.0
<b>Total Regulatory Accounts Not Seeking Disposition</b>		<b>(79.7)</b>	<b>(36.8)</b>	<b>15.4</b>	<b>66.7</b>	<b>61.1</b>
<b>Total Regulatory Accounts</b>		<b>(46.8)*</b>	<b>19.2</b>	<b>83.2</b>	<b>97.2</b>	<b>92.0</b>

2 \*Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million.

Witness: Samir Chhelavda

1 A detailed description of each of these regulatory accounts is provided in the following  
2 sections. For each account discussed below, simple interest is applied to the monthly  
3 opening principal balance in this account according to the Board-prescribed interest rate.  
4 Each account is reported to the Board on an annual basis consistent with the Board's  
5 Reporting and Record Keeping Requirements.

6  
7 The balance of each account is an actual audited amount at December 31, 2016, inclusive  
8 of interest accrued. Interest improvement has then been forecast on the principal balance  
9 to the end of December 31, 2017.

## 10 11 **2.1 REGULATORY ACCOUNTS SEEKING CONTINUANCE AND** 12 **DISPOSITION**

### 13 14 **2.1.1 RETAIL SETTLEMENT VARIANCE ACCOUNTS ("RSVAs")**

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16 The RSVAs have been established pursuant to Article 490, which requires all distributors  
17 establish such accounts to record the differences between the amounts owed to the IESO /  
18 host distributors and the amount billed to customers and retailers.

19  
20 The RSVAs were previously reviewed and approved by the Board in RP-2004-  
21 0117/0118, RP-2005-0020/EB-2005-0378, EB-2007-0681, EB-2009-0096 and EB-2012-  
22 0136. The Board approved the disposition of the 2013 audited RSVA balance over a  
23 three-year period in its EB-2013-0416 Decision respecting 2015 distribution rates. The  
24 balance of commodity accounts (1588 & 1589) has been filed with the Board on a  
25 quarterly basis, and the balance of the other RSVAs is filed with the Board annually per  
26 the Electricity Reporting and Record Keeping Requirements.

The balance in Hydro One Distribution's Retail Settlement Variance Accounts is summarized in Table 3.

**Table 3: Retail Settlement Variance Accounts (RSVAs) (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec. 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Low Voltage Variance Account	1550	3.9	5.9	4.5	7.1	7.1
Wholesale Market Service Charge	1580	(72.1)	(88.7)	(51.2)	(85.1)	(86.0)
Retail Transmission Network Charge	1584	39.2	43.1	15.8	13.2	13.3
Retail Transmission Connection Charge	1586	16.4	29.6	53.0	68.2	68.9
Power-Sub-Account-Power	1588	(0.5)	8.0	27.4	26.9	27.2
<b>Subtotal RSVAs for Disposition</b>		<b>(13.1)</b>	<b>(2.1)</b>	<b>49.5</b>	<b>30.4</b>	<b>30.7</b>
Power-Sub-Account-Global Adjustment*	1589	(22.4)	9.2	62.2	116.6	117.9
<b>Total RSVAs</b>		<b>(35.6)</b>	<b>7.1</b>	<b>111.7</b>	<b>147.0</b>	<b>148.6</b>

\* Due to a clarification of embedded generation submissions used in the calculation for the global adjustment that is applicable to Hydro One Distribution from January 2005 through to August 2016, the IESO will refund \$121.8 million that will be applied to the monthly IESO settlement for Hydro One Distribution from April through November 2017. The issue arose due to the wholesale meter injection channels' readings not being netted with the energy withdrawn in the submission of embedded generation used in the calculation of the Global Adjustment for the period noted. As the refund exceeds the 2016 audited balance of the account, Hydro One Distribution is no longer requesting to recover this balance from customers. The IESO is funding this credit through a monthly charge during the same period in which the refund is being applied. Only a portion is applicable to Hydro One Distribution. While an estimate can be made of Hydro One Distribution's allocation of the total charge, the exact net impact is unknown at this time.

In April 2015, as documented in the Board's letter entitled 'Accounting Guidance on Capacity Based Recovery', the IESO established a transitional initiative entitled Capacity Based Demand Response to recover the costs of the demand response market program through uplift charges under charge types 1350 and 1351. A breakdown of the balances related to wholesale market service charge is included in Table 4. Further details on the disposition of these balances are presented in Exhibit H1, Tab 3, Schedule 1.

**Table 4: RSVA – Wholesale Market Service Charge (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Sub CBR Class A	1580	N/A	N/A	0.3	0.0	0.0
Sub CBR Class B	1580	N/A	N/A	6.0	4.2	4.3
Other	1580	(72.1)	(88.7)	(57.5)	(89.3)	(90.3)
<b>Wholesale Market Service Charge</b>		<b>(72.1)</b>	<b>(88.7)</b>	<b>(51.2)</b>	<b>(85.1)</b>	<b>(86.0)</b>

Hydro One Distribution does not make a profit or loss on the commodity. Hydro One Distribution matches the energy sales and the cost of power, with the difference between the two values going to the variance accounts. However for USofA reporting, the higher of energy sales or cost of power is reduced to match the other, with the difference going to the variance account. The two methods result in the same variance account balance, and the same energy sales net of cost of power. As per Section 2.9 of the OEB's Filing Requirements for Electricity Distribution Rate Applications; a reconciliation of energy sales and cost of power expense year-end balances for 2016 are provided in Table 5.

**Table 5: 2016 Energy Sales and Cost of Power Costs (\$ Millions)**

Description	Audited Financial Statements	USofA Reporting	Delta
<b>Cost of Power Revenue (Energy Sales)</b>			
Commodity	1,841.4	1,842.2	(0.8)
Global Adjustment (GA)	903.2	849.8	53.5
Billed – Wholesale Market Service Charge (WMSC)	115.9	115.9	0.0
Billed – Networks	232.5	235.2	(2.8)
Billed – Connection	179.0	164.5	14.5
Billed – Low Voltage	2.5	0.0	2.5
<b>Total</b>	<b>3,274.6</b>	<b>3,207.7</b>	<b>66.9</b>
<b>Cost of Power Costs</b>			
Commodity	1,841.4	1,842.2	(0.8)
Global Adjustment (GA)	903.2	849.8	53.5
Billed – WMSC	115.9	115.9	0.0
Billed – Networks	232.5	235.2	(2.8)
Billed – Connection	179.0	164.5	14.5
Billed – Low Voltage	2.5	0.0	2.5
<b>Total</b>	<b>3,274.6</b>	<b>3,207.7</b>	<b>66.9</b>

Witness: Samir Chhelavda

Furthermore, as required by Section 2.9.5.1 of the OEB's Filing Requirements for Electricity Distribution Rate Applications, a distributor must also provide support of its Global Adjustment ("GA") claims with a description of its settlement process with the IESO. These requirements are addressed below.

**Method of Global Adjustment Invoicing:**

Hydro One Distribution uses the customer specific pre-defined Peak Demand Factor applied to the IESO invoiced Class A GA amount to invoice all Class A customers. Hydro One Distribution uses the first estimate of the GA rate published by the IESO to invoice all applicable Class B customers who pay the Hourly Ontario Energy Price (also referred to as Spot or Market Price) or customers who have signed a retail contract. Hydro One Distribution uses the actual GA rate published by the IESO to invoice all applicable Class B embedded distributors paying the Spot price.

**Method of Settlement with the IESO:**

The monthly IESO settlement is completed by the fourth business day after the month end. This entails settling two amounts associated with customers: (1) the difference between Regulated Price Plan ("RPP") pricing and Spot price for the actual invoices created during each fiscal month; and (2) the RPP Invoiced Consumption at actual GA rate. This is done for both 2-tiered rate and time-of-use rate customers. All settlement amounts are calculated automatically by the billing system which pairs the RPP customer consumption with the Spot price for each invoice.

Hydro One Distribution uses the second estimate of GA rate published by IESO to calculate RPP GA settlement amount associated with the RPP consumption during the current fiscal month. As the actual GA rate is not available until six business days after the IESO declaration, the true-up is then calculated by using the actual GA rate and declared to the IESO in the following month.

Witness: Samir Chhelavda

1 The monthly IESO settlements also include the embedded generation declaration for the  
2 difference between the rate paid to regulated and contracted generators and Spot price.

3  
4 On a monthly basis, embedded distributors calculate their own RPP and generation  
5 settlement amounts and declare to the IESO through Hydro One Distribution. As a host  
6 distributor, Hydro One Distribution settles with the IESO on behalf of embedded  
7 distributors and treats it as pass through costs, in the monthly IESO settlement  
8 declaration.

9  
10 **Accounting Accrual Process:**

11 The determination of customer invoicing is based on a systemic reading of meters  
12 throughout the month for all customers. Hydro One Distribution has about 1.3 million  
13 customers and provides services across the province. As such, there are many meter  
14 reading schedules that do not coincide with the fiscal month end. At the end of each  
15 month, the customer consumption since the date of the last meter reading is estimated  
16 based on a standard SAP functionality. As a result, corresponding unbilled commodity  
17 revenue and GA revenue are recorded for accounting accrual purposes. Estimates are  
18 reversed in the following month and actual revenue is recorded based on the subsequent  
19 meter readings. The IESO settlement amounts discussed above are also estimated based  
20 on unbilled consumption for accounting accrual purposes. These accrual amounts are not  
21 included in the monthly IESO declaration. Only the settlement amounts based on the  
22 actual invoices are declared to the IESO.

23  
24 **Accounting Treatment for Global Adjustment:**

25 Hydro One Distribution allocates the Class B GA charge on the IESO invoices into RPP  
26 and non-RPP portions and incorporates these portions into accounts 1588 and 1589  
27 respectively, by using the GA charge reported on the RPP settlement with the IESO.



### 2.1.2 RETAIL COST VARIANCE ACCOUNTS (“RCVAS”)

Providing retail services to customers, as a result of the deregulated electricity market, results in the distributor having a need to recover certain retail service costs. The rates and charges used in determining these costs are set by the Board, which recognizes that the actual costs may be different in practice. In accordance with Chapter 11 of the Distribution Rate Handbook, distributors are required to establish variance accounts, for future disposition, which record the differences in these costs and revenues.

Hydro One Distribution has established RCVAs to capture the differences between the revenues collected by the distributor, based on Board-approved rates, and the actual incremental costs of providing the related services. The methodology underlying the operation of these variance accounts is given in the Accounting Procedures Handbook – Article 490.

The balance in Hydro One Distribution’s RCVAs is summarized in Table 6.

**Table 6: Retail Cost Variance Accounts (RCVAs) (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
RCVA Accounts	1518/1548	1.0	0.7	0.0	0.7	0.7

### 2.1.3 PENSION COST DIFFERENTIAL ACCOUNT

The Pension Cost Differential Account tracks the difference between the non-capital portion of pension cost estimates, based on actuarial assessments and other forecasts, upon which Hydro One’s distribution rate application is based, and the actual pension contributions charged to OM&A.

Witness: Samir Chhelavda

This account was previously reviewed and approved by the Board for use in EB-2009-0096 and EB-2013-0416. The balance in Hydro One Distribution's Pension Cost Differential Account is summarized in Table 7.

**Table 7: 1508 - Other Regulatory Assets – Sub Account - Pension Cost Differential**  
(\$ Millions)

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Pension Cost Differential Account	1508	59.3	78.9	23.0	7.9	7.9

#### 2.1.4 TAX RATE CHANGES ACCOUNT

In the Board communiqué to distributors in December 2005, and the Board's April 12, 2006 Decision with Reasons (RP-2005-0020 / EB-2005-0378) regarding Hydro One's 2006 Distribution Rates, the Board authorized the creation of an account to capture the tax impact of the following differences between the tax assumptions included in revenue requirement and actual results. This tax changes account was subsequently reviewed and approved by the Board in EB-2009-0096, EB-2012-0136, and EB-2013-0416. This account captures the following:

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

This Tax Rate Changes Account was also used to capture the savings in Provincial Sales Tax (“PST”) cost included in revenue requirement due to the introduction of flow-through Harmonized Sales Tax (“HST”) in July 2010.

The 2013 audited balance, which included amounts for both a change in the tax rate and for the savings in PST, was disposed of as part of the EB-2013-0416 rate application. An impact of \$4.4 million including interest, related to the savings in PST, is being put forward for disposition in this Application. The amount was recorded in the account in the 2014 rate year. Once this remaining PST savings amount has been disposed of, the only amounts recorded in this Tax Rate Change account on a go-forward basis will be the tax impact of the differences between the tax assumptions included in revenue requirement and actual results, which are noted above.

The balance in Hydro One Distribution’s Tax Rate Changes Account is summarized in Table 8.

**Table 8: 1592 - Tax Rate Changes Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Tax Rate Changes	1592	(3.2)	(3.2)	(0.0)	(0.0)	(0.0)
PST Savings	1592	(14.3)	(18.7)	(4.3)	(4.4)	(4.4)
<b>Total</b>		<b>(17.5)</b>	<b>(21.9)</b>	<b>(4.3)</b>	<b>(4.4)</b>	<b>(4.4)</b>

Witness: Samir Chhelavda

## 2.1.5 OEB COST DIFFERENTIAL ACCOUNT

In a letter from the Board, dated February 9, 2016, entitled “Revisions to the Ontario Energy Board Cost Assessment Model”; the Board authorized the establishment of Account 1508 ‘Other Regulatory Assets’, Sub-Account ‘OEB Cost Assessment Variance’.

The Board authorized this account to record any material differences between the annual OEB cost assessment currently approved in rates and the actual OEB cost assessment amounts charged to Hydro One Distribution that will result from the application of the new cost assessment model effective April 1, 2016.

The balance in Hydro One Distribution’s OEB Cost Differential Account is summarized in Table 9.

**Table 9: 1508 – Other Regulatory Assets – Sub Account - OEB Cost Differential Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
OEB Cost Differential Account	1508	0.0	0.0	0.0	(1.3)	(1.3)

## 2.1.6 SMART METER ENTITY ("SME") CHARGE VARIANCE ACCOUNT

The SME Charge Variance Account was established consistent with Board direction included in the Decision issued March 28, 2013 for EB-2012-0100/EB-2012-0211. As a result of this Decision, effective May 1, 2013, the SME charge to be levied and collected by the licensed electricity distributors identified in the Board’s annual Yearbook of

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Electricity Distributors from Residential and General Service <50kW customers was \$0.79 per month, effective May 1, 2013 to October 31, 2018.

The account is used to track the difference between the monthly settlement invoice received from the IESO, including accruals, and the amount billed to the distributor's customers for the SME charge, including accruals.

The balance in Hydro One Distribution's Smart Meter Entity Charge Variance Account is summarized in Table 10.

**Table 10: 1551 – Smart Meter Entity (SME) Charge Variance Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Smart Meter Entity Charge Variance Account	1551	0.7	0.5	0.3	(0.1)	(0.1)

## **2.2 REGULATORY ACCOUNTS SEEKING DISPOSITION ONLY**

### **2.2.1 REVENUE OFFSET DIFFERENCE ACCOUNT – POLE ATTACHMENT CHARGE**

The Revenue Offset Difference Account – Pole Attachment Charge was established consistent with Board direction in its Decision dated August 4, 2016, in EB-2015-0141.

The pole attachment charge relates to the charge Hydro One Distribution collects from cable and telecommunications companies for connecting their overhead wires to Hydro One poles.

In its Accounting Order of September 28, 2016, the Board directed Hydro One Distribution to establish a variance account effective January 1, 2015 to record the

Witness: Samir Chhelavda

differences in the revenue offsets related to forecast pole attachment revenues included in rates in EB-2013-0416/EB-2015-0079 and revenue offsets based on the pole attachment charge approved by the Board in EB-2015-0141. The Board had approved distribution rate revenues based on a pole attachment charge of \$37.05 per pole per year. The final approved charge is \$41.28 per pole per year. This account is used to track this variance, including accrued interest charges based on the Board prescribed interest rates.

The balance in Hydro One Revenue Offset Difference Account – Pole Attachment Charge is summarized in Table 11.

**Table 11: 2405 – Other Regulatory Assets – Sub Account - Revenue Offset  
Difference Account - Pole Attachment Charge (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Revenue Offset Difference Account – Pole Attachment Charge	2405	0.0	0.0	0.0	(2.2)	(2.3)

## **2.2.2 BILL IMPACT MITIGATION VARIANCE ACCOUNT**

As a result of the rate class review accepted by the Board in its Decision EB-2013-0416, certain customers were expected to experience significant bill impacts in 2015. As part of EB-2013-0416, Hydro One Distribution requested to use the Bill Impact Mitigation Variance Account to mitigate the adverse total impacts for specific customers affected by the review.

As part of its Decision for EB-2013-0416, the Board determined that those rate classes which experienced a bill impact in excess of 10% would qualify for rate mitigation. The costs of mitigation and related implementation costs for these customers have been

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1 tracked in this account. Once this remaining amount has been disposed of, this Bill  
2 Impact Mitigation Variance Account will not be required to continue on a go-forward  
3 basis.

4  
5 The balance in the Hydro One Distribution's Bill Impact Mitigation Variance Account is  
6 summarized in Table 12.

7  
8 **Table 12: 1508 – Bill Impact Mitigation Variance Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Bill Impact Mitigation Variance Account	1508	0.0	0.0	1.8	2.3	2.4

9  
10 **2.2.3 MICROFIT CONNECTION CHARGE VARIANCE ACCOUNT**

11  
12 The Board established the fixed charge for micro-generators account for Hydro One  
13 Distribution in the Board's Decision of April 9, 2010 (EB-2009-0096) for 2010 and 2011  
14 distribution rates.

15  
16 This account was established province-wide, for all distributors, in EB-2009-0326 and  
17 EB-2010-0219. The rate was subsequently updated to require the recording of the  
18 collection of revenue from this monthly charge as per the Board's September 20, 2012  
19 letter to all distributors entitled "*Update to Fixed Monthly Charge for microFIT*  
20 *Generator Service Classification Board File Numbers EB-2009-0326 and EB-2010-*  
21 *0219.*".

22  
23 This account records revenue collected from the new fixed meter charge that is applied to  
24 micro-generator connections. The amounts are deferred for refunding to customers in a  
25 future period.

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The Board in its Decision on Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account commencing in 2015. As the disposition approved in that application was based on the 2013 principal balance and accrued interest, the 2014 balance of \$0.8 million including interest is being put forward for disposition in this Application.

The balance in Hydro One Distribution's Microfit Connection Charge Variance Account is summarized in Table 13.

**Table 13: 1508 - Other Regulatory Assets – Sub Account – Microfit Connection Charge Variance Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Microfit Connection Charge Variance Account	1508	(1.6)	(2.4)	(0.8)	(0.8)	(0.8)

#### **2.2.4 DISTRIBUTION GENERATION – HONI - VARIANCE ACCOUNT**

The Board directed Hydro One Distribution to establish deferral accounts related to the Green Energy Plan in the Board's Decision of April 9, 2010 (EB-2009-0096) for 2010 and 2011 distribution rates.

Hydro One established the Distribution Generation – HONI - Variance Account, consisting of separate sub-accounts for Distribution Generation - Express Feeders and Distribution Generation – Other Costs to record the interim funding received in respect of the expenditures made for these programs.

Witness: Samir Chhelavda



The Board in its Decision in Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account, including both sub-accounts, commencing in 2015. However, there is a small balance that was accrued after 2013 remaining for disposition, as noted in the table below.

The balance in Hydro One's Distribution Generation – HONI - Variance Accounts is summarized in Table 14.

**Table 14: 1533 – Distribution Generation – HONI - Variance Accounts (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Distribution Generation – HONI - Variance Accounts	1533	(1.5)	(0.9)	0.6	0.6	0.6

## **2.2.5 SMART GRID VARIANCE ACCOUNT**

The Board directed Hydro One Distribution to establish deferral accounts related to the Green Energy Plan in the Board's Decision of April 9, 2010 (EB-2009-0096) for 2010 and 2011 distribution rates.

Hydro One established the Smart Grid Variance Account to record the interim funding received in respect of the expenditures made for this program.

In the Board's Decision of December 20, 2012 (EB-2012-0136), the Smart Grid Variance Account was continued and a continuance of interim funding for Hydro One's Smart Grid OM&A expenditures in 2013 was approved in 2013 rates.

Under the Board's Partial Decision (EB-2013-0141) on September 26, 2013, the Smart Grid Variance Account was again continued and interim funding was again approved in

Witness: Samir Chhelavda

2014 rates. The Board accepted Hydro One's proposal relating to Smart Grid as filed in Hydro One Distribution's Settlement Proposal dated September 17, 2013 that the expenditures recorded in Account 1536 will not be subject to a future prudence review.

The Board in its Decision in Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account commencing in 2015. However, significant activity in this account for 2014 has resulted in a balance for disposition, including interest, of \$12.2 million.

The balance in Hydro One Distribution's Smart Grid Variance Account is summarized in Table 15.

**Table 15: 1536 – Smart Grid Variance Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Smart Grid Variance Account	1536	(1.1)	(12.8)	(11.9)	(12.1)	(12.2)

#### **2.2.6 DISTRIBUTION SYSTEM CODE ("DSC") EXEMPTION DEFERRAL ACCOUNT**

The Board ordered Hydro One Distribution to establish the Distribution System Code Exemption Deferral Account in the Board's Decision of December 20, 2010 (EB-2010-0229). In the Decision, the Board recognized that costs to mitigate certain unforeseen technical issues should not be visited upon generators who have already executed Connection Costs Agreements, but should instead be eligible for recovery through Hydro One's distribution rate base, subject to the Board's final review "in a future rate proceeding". Specifically, the Board ruled that expenditures for the three specific categories of expenditure included in that proceeding be recorded in sub-accounts of

Witness: Samir Chhelavda

1508, Other Regulatory Assets, subject to the Board's review at a future date. These three categories are:

- Sub-Account Category 1 - Distance Limitation - Capital and OM&A Expenses;
- Sub-Account Category 2 - Delta-Y Transformers - Capital and OM&A Expenses; and
- Sub-Account Category 3 - Dual Secondary Winding Transformers - Capital and OM&A Expenses.

The Board in its Decision in Hydro One's distribution rate application (EB-2013-0416) approved Hydro One's request for the discontinuance of this account commencing in 2015. However, the principal accumulated in 2014, including interest, is being put forward for disposition as part of this Application.

The balance in Hydro One Distribution's Distribution System Code Exemption Deferral Account by sub-account is summarized in Table 16.

**Table 16: 1508 – Other Regulatory Assets – Sub Account – Distribution System Code Exemption Deferral Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Distance Limitation	1508	6.3	15.6	9.1	9.2	9.3
Delta-Y Transformers	1508	0.3	0.4	0.4	0.4	0.4
<b>Total</b>	<b>1508</b>	<b>6.6</b>	<b>16.0</b>	<b>9.5</b>	<b>9.6</b>	<b>9.7</b>

## 2.3 REGULATORY ACCOUNTS NOT SEEKING DISPOSITION

Hydro One is not seeking disposition of the following accounts at this time.

Witness: Samir Chhelavda

### 2.3.1 RRRP VARIANCE ACCOUNT

The treatment of the balance of the Rural or Remote Electricity Rate Protection (“RRRP”) Variance Account has not been within scope of Hydro One Distribution’s past rate applications. As a result of changes made in 2016 to the regulations relating to the RRRP account, Hydro One Distribution is no longer required to maintain this account. As of March 4, 2016, the IESO is responsible for distributing RRRP in accordance with Ontario Regulation 52/16 (amending Ontario Regulation 442/01: Rural or Remote Electricity Rate Protection). As such, Hydro One Distribution is seeking discontinuance of this account.

The balance in the RRRP Variance Account is summarized in Table 17.

**Table 17: 1508 –RRRP Variance Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
RRRP Variance Account	1508	2.3	1.2	(1.8)	0.0	0.0

### 2.3.2 DISTRIBUTION GENERATION – PROVINCIAL - VARIANCE ACCOUNT

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

Witness: Samir Chhelavda

Hydro One received the Board's approval to discontinue the collection of revenue through the funding adder from the provincial rate payers on December 31, 2014. In light of the continuation of renewable distributed generation connection investments, Hydro One Distribution is not seeking disposition of the balance in this account at this time and will continue to record the costs eligible for direct benefit treatment according to Ontario Regulation 330/09.

The balance in Hydro One Distribution's Distribution Generation – Provincial – Variance Account is summarized in Table 18.

**Table 18: 1533 – Distribution Generation – Provincial - Variance Accounts**  
(\$ Millions)

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Distribution Generation – Provincial - Variance Account	1533	(51.7)	(68.8)	(65.4)	(57.7)	(58.3)

### **2.3.3 REVENUE DIFFERENCE ACCOUNT–POLE ATTACHMENT CHARGE VARIANCE ACCOUNT**

The Revenue Difference Account – Pole Attachment Charge Variance Account was established consistent with Board direction in its Decision dated August 4, 2016, in EB-2015-0141. The pole attachment charge is the amount that Hydro One Distribution collects from cable and telecommunications companies for connecting their overhead wires to its power poles. This account was established to record the revenue difference between the interim pole attachment charge and the final pole attachment charge approved by the Board in its Decision. As per the decision, this account will be closed after the allocated balances have been invoiced to the pole attachment customers and therefore Hydro One Distribution is not seeking disposition of this account.

Witness: Samir Chhelavda

The balance in Hydro One Distribution's Revenue Difference Account – Pole Attachment Charge Variance Account is summarized in Table 19.

**Table 19: 1508 – Revenue Difference Account – Pole Attachment Charge Variance Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
Revenue Difference Account – Pole Attachment Charge Variance Account	1508	0.0	0.0	0.0	1.0	1.0

#### **2.3.4 LONG TERM LOAD TRANSFER (“LTLT”) RATE IMPACT MITIGATION DEFERRAL ACCOUNT**

The LTLT Rate Impact Mitigation Deferral Account was established consistent with Board direction in its Decision on the joint application by Hydro One Networks Inc. and Hydro Ottawa Limited, dated August 18, 2016 in EB-2016-0167.

In the Decision, the Board approved the elimination of the load transfer arrangements between the two distributors consistent with the Board's LTLT policy as documented in the amended Distribution System Code (“DSC”) of December 21, 2015. The Board also recognized that the affected Residential and General Service rate class customers moving from Hydro Ottawa to Hydro One shall receive a monthly bill credit to offset the increase in delivery charges, as prescribed in Section 6.5.4 of the DSC. Hydro One requested a deferral account to record lost revenue resulting from this rate impact mitigation plan.

In its Accounting Order of November 24, 2016, the Board directed Hydro One Distribution to establish the deferral account to record lost revenue resulting from the rate

1 impact mitigation plan as well as any costs involved in the set-up of such a plan effective  
2 August 18, 2016.

3  
4 The balance in Hydro One Distribution's Long Term Load Transfer Rate Impact  
5 Mitigation Deferral Account is summarized in Table 20.

6  
7 **Table 20: 1508 – Other Regulatory Assets – Sub Account – Long Term Load**  
8 **Transfer (LTLT) Rate Impact Mitigation Deferral Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
LTLT Rate Impact Mitigation Deferral Account	1508	0.0	0.0	0.0	0.0	0.0

9  
10 **2.3.5 SMART GRID FUND (“SGF”) PILOT DEFERRAL ACCOUNT**

11  
12 The SGF Pilot Deferral Account was established consistent with Board direction in the  
13 Decision issued September 23, 2016 for EB-2016-0201.

14  
15 In the Decision, the Board approved the establishment of a deferral account for costs  
16 associated with extending the existing SGF Pilot. The Board limited the costs to those  
17 incurred to extend the pilot from October 1, 2016 to April 30, 2017 and to no more than  
18 \$1 million. In its Accounting Order of November 17, 2016, the Board directed Hydro  
19 One Distribution to establish the deferral account effective October 1, 2016.

20  
21 In a subsequent Decision dated April 27, 2017, the Board approved Hydro One's request  
22 to extend the time period for the deferral account to July 31, 2017 to facilitate  
23 continuation of the pilot.

Witness: Samir Chhelavda

1 The balance in Hydro One Distribution's SGF Pilot Deferral Account is summarized in  
2 Table 21.

3

4 **Table 21: 1508 – Other Regulatory Assets – Sub-account Smart Grid Fund (SGF)**

5 **Pilot Deferral Account (\$ Millions)**

Description	USofA Account Ref	Balance as at Dec. 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec. 31, 2015	Balance as at Dec. 31, 2016	Forecast Balance as at Dec. 31, 2017
SGF Pilot Deferral Account	1508	0.0	0.0	0.0	0.0	0.0

6



HYDRO ONE NETWORKS INC. DISTRIBUTION				2013													
Continuity Schedule Regulatory Accounts - F1-01-01-1																	
Account Descriptions	Calc	For Disposition	Account Number	Principal Disposition of 2011 Bal's (on Jan 1 2013) - instructed by Board - Rider 9	Interest Disposition of 2011 Bal's (on Jan 1 2013) - instructed by Board - Rider 9	Opening Principal Balances after transfers of 2011 approved balances (2013) opening bal's	Transactions Debit/ (Credit) during 2012 excluding interest and adjustments *	Board-Approved Disposition during 2013	Adjustments during 2013 - other <sup>1</sup>	Closing Principal Balance as of Dec-31-13	Opening 2013 Interest Principal Balances after transfers of 2011 approved balances	Interest Jan-1 to Dec-31-13	Board-Approved Disposition during 2013	Adjustments during 2013 - other <sup>1</sup>	Closing Interest Amounts as of Dec-31-13	Total Balance as at Dec 31, 2013	
Type 1 Accounts Requesting Disposition																	
LV Variance Account		Yes	1550	6,676,832	110,616	2,065,656	1,694,122			3,759,778	114,780	41,793			156,573	3,916,351	
RSVA - Wholesale Market Service Charge		Yes	1580	(67,163,657)	(924,188)	(41,215,764)	(28,728,366)			(69,944,130)	(1,272,931)	(847,552)			(2,120,482)	(72,064,612)	
RSVA - Retail Transmission Network Charge		Yes	1584	20,697,915	240,324	37,199,843	859,628			38,059,471	556,956	552,248			1,109,204	39,168,675	
RSVA - Retail Transmission Connection Charge		Yes	1586	9,454,348	81,060	16,551,532	(634,728)			15,916,804	247,711	231,519			479,230	16,396,034	
RSVA - Power - Sub-Account -Power		Yes	1588				(547,551)			(547,551)						(547,551)	
Group 1 Sub-Total				(30,334,561)	(492,188)	14,601,266	(27,356,893)	-	-	(12,755,628)	(353,484)	(21,992)	-	-	(375,476)	(13,131,104)	
Type 2 Regulatory Accounts Requesting Disposition																	
RCVA		Yes	1518/1548			244,325	804,594			1,048,919	(4,963)	4,952			(11)	1,048,909	
Pension Cost Differential Account		Yes	2405			44,862,342	12,824,078			57,686,419	885,233	720,926			1,606,159	59,292,578	
Microfit Connection Charge Variance Account		Yes	1508			(853,047)	(679,339)			(1,532,386)	(9,997)	(17,052)			(27,049)	(1,559,435)	
Tax Rate Changes Account		Yes	1592			(12,912,850)	(4,200,000)			(17,112,850)	(173,758)	(228,461)			(402,220)	(17,515,070)	
DG - Other Costs - HONI - Variance Account	Discontinued	Yes	1533			(1,523,227)	387,111			(1,136,116)	(36,009)	(19,817)			(55,826)	(1,191,942)	
DG - Express Feeders - HONI - Variance Account	Discontinued	Yes	1533			(265,420)				(265,420)	(5,738)	(3,891)			(9,629)	(275,049)	
Smart Grid Variance Account		Yes	1536			(8,668,547)	8,148,092			(520,455)	(434,753)	(97,478)			(532,231)	(1,052,686)	
OEB Cost Differential Account		Yes	1508												-	-	
DSC Exemption Deferral Account		Yes	1508			2,250,380	4,239,705			6,490,085	29,575	61,221			90,796	6,580,881	
Smart Meter Entity Charge Variance Account		Yes	1551				644,180			644,180		9,640			9,640	653,820	
Revenue Offset Difference Account - Pole Attachment Charge		Yes	2405												-	-	
Bill Impact Mitigation Variance Account		Yes	1508												-	-	
Sub-total Type 2 Accounts Requesting Disposition				-	-	23,133,956	22,168,420	-	-	45,302,376	249,589	430,041	-	-	679,630	45,982,006	
Total Regulatory Accounts Requesting Disposition				A	(30,334,561)	(492,188)	37,735,222	(5,188,473)	-	-	32,546,748	(103,895)	408,049	-	-	304,154	32,850,902
Type 1 Accounts Not Requesting Disposition																	
RSVA - Power - Sub-Account -Global adjustment		No	1589	(8,739,863)	(156,105)	(20,044,576)	(1,630,682)			(21,675,258)	(270,291)	(490,288)			(760,580)	(22,435,838)	
Rider 9 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595	44,239,943	(6,770,727)	(44,239,943)	18,874,044			(25,365,899)	6,770,727	(521,759)			6,248,968	(19,116,931)	
Special Purpose Charge Variance Account (SPC)	Discontinued	No	1595			124,858				124,858	45,361	1,830			47,191	172,049	
Recovery of Regulatory Asset Balances	Discontinued	No	1590	(5,234,904)	7,696,367						(721,602)	721,602			-	-	
Rider 6 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595	69,385	(277,348)	14,674	(14,674)					(0)			-	-	
Rider 2015-2017 - Disposition and Recovery of Regulatory Balances		No	1595												-	-	
Type 2 Accounts Not Requesting Disposition																	
OEB Cost Differential Account	Discontinued	No	1508			6,206,462	2,758,387			8,964,849	111,361	110,836			222,197	9,187,046	
Smart Meters Minimum Functionality	Discontinued	No	1555/1556			(21,151,876)	4,497,037			(16,654,839)	(468,314)	(283,289)			(751,603)	(17,406,443)	
Smart Meters Exceeding Minimum Functionality	Discontinued	No	1555/1556			15,609,759	5,182,351			20,792,110	317,771	260,203			577,974	21,370,084	
Deferred Revenue Project Costs Account	Discontinued	No	2405			(1,642,342)				(1,642,342)	(62,545)	(24,076)			(86,621)	(1,728,963)	
Generator Joint Use Revenue Deferral Account	Discontinued	No	2405			(193,913)	(117,910)			(311,823)	(2,381)	(3,484)			(5,866)	(317,689)	
RRRP		No	1508			(6,560,513)	8,610,576			2,050,063	356,774	(66,844)			289,930	2,339,993	
DG - Other Costs - Provincial Pool - Variance Account		No	1533			(31,272,830)	(15,709,965)			(46,982,794)	(556,798)	(569,806)			(1,126,604)	(48,109,399)	
DG - Express Feeders - Provincial Pool - Variance Account		No	1533			(2,354,561)	(1,177,274)			(3,531,834)	(33,116)	(42,463)			(75,579)	(3,607,414)	
Revenue Difference Account - Pole Attachment Charge		No	1508												-	-	
Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account		No	1508												-	-	
Smart Grid Pilot Deferral Account		No	1508												-	-	
Sub-total Accounts Not Requesting Disposition				B	30,334,561	492,188	(105,504,802)	21,271,890	-	-	(84,232,911)	5,486,946	(907,539)	-	-	4,579,407	(79,653,504)
Total Regulatory Account Balances				C=A+B	-	-	(67,769,580)	16,083,417	-	-	(51,686,163)	5,383,051	(499,490)	-	-	4,883,561	(46,802,602)
Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million																	
Comment (2): Account RSVA-Power-Sub Account-Global Adjustment has been excluded from the amount requested for disposition. For further details, please refer to Exhibit F1, Tab 1, Schedule 1.																	

HYDRO ONE NETWORKS INC. DISTRIBUTION				2014												
Continuity Schedule Regulatory Accounts - F1-01-01-1																
Account Descriptions	Calc	For Disposition	Account Number	Opening Principal Amounts as of Jan-1-2014	Transactions Debit/ (Credit) during 2014 excluding interest and adjustments	Board-Approved Disposition during 2014	Adjustments during 2014 - other	Transactions/ Adjustments During Year	Closing Principal Balance as of Dec-31-2014	Opening Interest Amounts as of Jan-1-2014	Interest Jan-1 to Dec-31-14	Board-Approved Disposition during 2014	Adjustments during 2014 - other	Transactions/ Adjustments During Year	Closing Interest Amounts as of Dec-31-2014	Total Balance as at Dec 31, 2014
Type 1 Accounts Requesting Disposition																
LV Variance Account		Yes	1550	3,759,778	1,904,812			1,904,812	5,664,590	156,573	68,101			68,101	224,674	5,889,264
RSVA - Wholesale Market Service Charge		Yes	1580	(69,944,130)	(15,629,998)			(15,629,998)	(85,574,128)	(2,120,482)	(969,304)			(969,304)	(3,089,786)	(88,663,914)
RSVA - Retail Transmission Network Charge		Yes	1584	38,059,471	3,304,351			3,304,351	41,363,822	1,109,204	581,761			581,761	1,690,965	43,054,786
RSVA - Retail Transmission Connection Charge		Yes	1586	15,916,804	12,899,792			12,899,792	28,816,597	479,230	318,935			318,935	798,165	29,614,762
RSVA - Power - Sub-Account -Power		Yes	1588	(547,551)	8,507,428			8,507,428	7,959,877		54,995			54,995	54,995	8,014,871
Group 1 Sub-Total				(12,755,628)	10,986,385	-	-	10,986,385	(1,769,243)	(375,476)	54,488	-	-	54,488	(320,988)	(2,090,231)
Type 2 Regulatory Accounts Requesting Disposition																
RCVA		Yes	1518/1548	1,048,919	(323,090)			(323,090)	725,829	(11)	19,863			19,863	19,853	745,682
Pension Cost Differential Account		Yes	2405	57,686,419	18,637,674			18,637,674	76,324,093	1,606,159	921,735			921,735	2,527,893	78,851,987
Microfit Connection Charge Variance Account		Yes	1508	(1,532,386)	(767,820)			(767,820)	(2,300,206)	(27,049)	(27,386)			(27,386)	(54,435)	(2,354,641)
Tax Rate Changes Account		Yes	1592	(17,112,850)	(4,152,874)			(4,152,874)	(21,265,724)	(402,220)	(274,685)			(274,685)	(676,904)	(21,942,628)
DG - Other Costs - HONI - Variance Account	Discontinued	Yes	1533	(1,136,116)	579,126			579,126	(556,990)	(55,826)	(13,815)			(13,815)	(69,642)	(626,632)
DG - Express Feeders - HONI - Variance Account	Discontinued	Yes	1533	(265,420)					(265,420)	(9,629)	(3,902)			(3,902)	(13,531)	(278,950)
Smart Grid Variance Account		Yes	1536	(520,455)	(11,722,854)			(11,722,854)	(12,243,309)	(532,231)	(73,826)			(73,826)	(606,057)	(12,849,365)
OEB Cost Differential Account		Yes	1508													-
DSC Exemption Deferral Account		Yes	1508	6,490,085	9,323,125			9,323,125	15,813,210	90,796	132,207			132,207	223,003	16,036,213
Smart Meter Entity Charge Variance Account		Yes	1551	644,180	(133,140)			(133,140)	511,040	9,640	8,623			8,623	18,264	529,303
Revenue Offset Difference Account - Pole Attachment Charge		Yes	2405													-
Bill Impact Mitigation Variance Account		Yes	1508													-
Sub-total Type 2 Accounts Requesting Disposition				45,302,376	11,440,148	-	-	11,440,148	56,742,524	679,630	688,814	-	-	688,814	1,368,445	58,110,969
Total Regulatory Accounts Requesting Disposition	A			32,546,748	22,426,533	-	-	22,426,533	54,973,281	304,154	743,303	-	-	743,303	1,047,457	56,020,738
Type 1 Accounts Not Requesting Disposition																
RSVA - Power - Sub-Account -Global adjustment		No	1589	(21,675,258)	32,464,827			32,464,827	10,789,569	(760,580)	(819,187)			(819,187)	(1,579,767)	9,209,803
Rider 9 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595	(25,365,899)		25,365,899		25,365,899		6,248,968		(6,770,727)	521,759	(6,248,968)		-
Special Purpose Charge Variance Account (SPC)	Discontinued	No	1595	124,858			(124,858)	(124,858)		47,191			(47,191)	(47,191)		-
Recovery of Regulatory Asset Balances	Discontinued	No	1590													-
Rider 6 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595													-
Rider 2015-2017 - Disposition and Recovery of Regulatory Balances		No	1595													-
Type 2 Accounts Not Requesting Disposition																
OEB Cost Differential Account	Discontinued	No	1508	8,964,849	2,756,596			2,756,596	11,721,444	222,197	153,994			153,994	376,192	12,097,636
Smart Meters Minimum Functionality	Discontinued	No	1555/1556	(16,654,839)	2,821,990			2,821,990	(13,832,850)	(751,603)	(195,847)			(195,847)	(947,450)	(14,780,300)
Smart Meters Exceeding Minimum Functionality	Discontinued	No	1555/1556	20,792,110	4,809,251			4,809,251	25,601,360	577,974	336,413			336,413	914,388	26,515,748
Deferred Revenue Project Costs Account	Discontinued	No	2405	(1,642,342)					(1,642,342)	(86,621)	(24,142)			(24,142)	(110,763)	(1,753,105)
Generator Joint Use Revenue Deferral Account	Discontinued	No	2405	(311,823)	(136,271)			(136,271)	(448,095)	(5,866)	(5,193)			(5,193)	(11,059)	(459,154)
RRRP		No	1508	2,050,063	(1,133,793)			(1,133,793)	916,270	289,930	11,899			11,899	301,829	1,218,099
DG - Other Costs - Provincial Pool - Variance Account		No	1533	(46,982,794)	(15,116,461)			(15,116,461)	(62,099,255)	(1,126,604)	(800,814)			(800,814)	(1,927,418)	(64,026,673)
DG - Express Feeders - Provincial Pool - Variance Account		No	1533	(3,531,834)	(1,177,273)			(1,177,273)	(4,709,107)	(75,579)	(59,887)			(59,887)	(135,467)	(4,844,574)
Revenue Difference Account - Pole Attachment Charge		No	1508													-
Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account		No	1508													-
Smart Grid Pilot Deferral Account		No	1508													-
Sub-total Accounts Not Requesting Disposition	B			(84,232,911)	25,288,865	25,365,899	(124,858)	50,529,907	(33,703,005)	4,579,407	(1,402,764)	(6,770,727)	474,567	(7,698,923)	(3,119,516)	(36,822,521)
Total Regulatory Account Balances	C=A+B			(51,686,163)	47,715,398	25,365,899	(124,858)	72,956,439	21,270,276	4,883,561	(659,461)	(6,770,727)	474,567	(6,955,621)	(2,072,060)	19,198,217
Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million																
Comment (2): Account RSVA-Power-Sub Account-Global Adjustment has been excluded from the amount requested for disposition. For further details, please refer to Exhibit F1, Tab 1, Schedule 1.																

[illegible]

Continuity Schedule Regulatory Accounts - F1-01-01-1			2016													
Account Descriptions	Calc	For Disposition	Account Number	Opening Principal Amounts as of Jan-1-2016	Transactions Debit/ (Credit) during 2016 excluding interest and adjustments	Actual Board-Approved Disposition during 2016	Adjustments during 2016 - other	Transactions/ Adjustments During Year	Closing Principal Balance as of Dec-31-2016	Opening Interest Amounts as of Jan-1-2016	Interest Jan-1 to Dec-31-16	Board-Approved Disposition during 2016	Adjustments during 2016 - other	Transactions/ Adjustments During Year	Closing Interest Amounts as of Dec-31-2016	Total Balance as at Dec 31, 2016
Type 1 Accounts Requesting Disposition																
LV Variance Account		Yes	1550	4,468,230	2,467,671			2,467,671	6,935,901	66,289	62,097			62,097	128,386	7,064,287
RSVA - Wholesale Market Service Charge		Yes	1580	(50,475,775)	(33,080,884)			(33,080,884)	(83,556,659)	(746,279)	(767,353)			(767,353)	(1,513,631)	(85,070,291)
RSVA - Retail Transmission Network Charge		Yes	1584	15,520,752	(2,761,356)			(2,761,356)	12,759,397	303,030	146,229			146,229	449,259	13,208,655
RSVA - Retail Transmission Connection Charge		Yes	1586	52,607,649	14,538,736			14,538,736	67,146,385	415,151	649,590			649,590	1,064,741	68,211,126
RSVA - Power - Sub-Account -Power		Yes	1588	27,244,538	(818,108)			(818,108)	26,426,431	143,579	376,319			376,319	519,898	26,946,328
Group 1 Sub-Total				49,365,394	(19,653,941)	-	-	(19,653,941)	29,711,453	181,771	466,882	-	-	466,882	648,653	30,360,106
Type 2 Regulatory Accounts Requesting Disposition																
RCVA		Yes	1518/1548	30,741	609,096			609,096	639,837	8,256	3,123			3,123	11,379	651,215
Pension Cost Differential Account		Yes	2405	22,396,779	(15,373,409)			(15,373,409)	7,023,371	643,466	192,690			192,690	836,155	7,859,526
Microfit Connection Charge Variance Account		Yes	1508	(767,823)					(767,823)	(23,089)	(8,446)			(8,446)	(31,535)	(799,358)
Tax Rate Changes Account		Yes	1592	(4,152,874)					(4,152,874)	(169,507)	(45,682)			(45,682)	(215,188)	(4,368,062)
DG - Other Costs - HONI - Variance Account	Discontinued	Yes	1533	579,126					579,126	3,350	6,370			6,370	9,721	588,847
DG - Express Feeders - HONI - Variance Account	Discontinued	Yes	1533							(1,503)					(1,503)	(1,503)
Smart Grid Variance Account		Yes	1536	(11,722,854)					(11,722,854)	(209,013)	(128,951)			(128,951)	(337,964)	(12,060,818)
OEB Cost Differential Account		Yes	1508		(1,257,062)			(1,257,062)	(1,257,062)		(3,179)			(3,179)	(3,179)	(1,260,241)
DSC Exemption Deferral Account		Yes	1508	9,323,125					9,323,125	184,616	102,554			102,554	287,170	9,610,296
Smart Meter Entity Charge Variance Account		Yes	1551	294,943	(397,541)			(397,541)	(102,598)	214	1,963			1,963	2,177	(100,421)
Revenue Offset Difference Account - Pole Attachment Charge		Yes	2405		(2,240,583)			(2,240,583)	(2,240,583)		(6,195)			(6,195)	(6,195)	(2,246,779)
Bill Impact Mitigation Variance Account		Yes	1508	1,810,384	499,322			499,322	2,309,706	8,734	23,740			23,740	32,475	2,342,181
Sub-total Type 2 Accounts Requesting Disposition				17,791,548	(18,160,177)	-	-	(18,160,177)	(368,629)	445,524	137,988	-	-	137,988	583,512	214,883
Total Regulatory Accounts Requesting Disposition	A			67,156,942	(37,814,118)	-	-	(37,814,118)	29,342,824	627,295	604,870	-	-	604,870	1,232,165	30,574,988
Type 1 Accounts Not Requesting Disposition																
RSVA - Power - Sub-Account -Global adjustment		No	1589	62,891,856	53,456,748			53,456,748	116,348,603	(733,237)	1,006,799			1,006,799	273,562	116,622,166
Rider 9 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595													-
Special Purpose Charge Variance Account (SPC)	Discontinued	No	1595													-
Recovery of Regulatory Asset Balances	Discontinued	No	1590													-
Rider 6 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595													-
Rider 2015-2017 - Disposition and Recovery of Regulatory Balances	No	No	1595	21,069,678		(13,873,699)		(13,873,699)	7,195,979	(643,155)	164,458			164,458	(478,698)	6,717,281
Type 2 Accounts Not Requesting Disposition																
OEB Cost Differential Account	Discontinued	No	1508													-
Smart Meters Minimum Functionality	Discontinued	No	1555/1556													-
Smart Meters Exceeding Minimum Functionality	Discontinued	No	1555/1556													-
Deferred Revenue Project Costs Account	Discontinued	No	2405													-
Generator Joint Use Revenue Deferral Account	Discontinued	No	2405													-
RRRP	No	No	1508	(2,062,481)	2,062,481			2,062,481		271,701	(271,701)			(271,701)		-
DG - Other Costs - Provincial Pool - Variance Account	No	No	1533	(57,852,997)	8,363,106			8,363,106	(49,489,891)	(2,641,146)	(603,960)			(603,960)	(3,245,106)	(52,734,997)
DG - Express Feeders - Provincial Pool - Variance Account	No	No	1533	(4,709,107)				0	(4,709,107)	(191,563)	(51,800)			(51,800)	(243,363)	(4,952,471)
Revenue Difference Account - Pole Attachment Charge	No	No	1508		1,010,783			1,010,783								1,010,783
Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account	No	No	1508		6,190			6,190	6,190		3			3	3	6,193
Smart Grid Pilot Deferral Account	No	No	1508													-
Sub-total Accounts Not Requesting Disposition	B			19,336,948	64,899,308	(13,873,699)	-	51,025,609	70,362,557	(3,937,400)	243,799	-	-	243,799	(3,693,601)	66,668,956
Total Regulatory Account Balances	C=A+B			86,493,890	27,085,189	(13,873,699)	-	13,211,490	99,705,380	(3,310,105)	848,668	-	-	848,668	(2,461,436)	97,243,944
Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million																
Comment (2): Account RSVA-Power-Sub Account-Global Adjustment has been excluded from the amount requested for disposition. For further details, please refer to Exhibit F1, Tab 1, Schedule 1.																

HYDRO ONE NETWORKS INC. DISTRIBUTION			2017															
Continuity Schedule Regulatory Accounts - F1-01-01-1																		
Account Descriptions	Calc	For Disposition	Account Number	Opening Principal Amounts as of Jan-1-2017	Transactions Debit/ (Credit) during 2017 excluding interest and adjustments	Forecasted Board- Approved Disposition during 2017	Adjustments during 2017 - other	Transactions/ Adjustments During Year	Closing Principal Balance as of Dec-31-2017	Opening Interest Amounts as of Jan-1-2017	Forecasted Interest Jan-1 to Dec-31-17	Forecasted Board- Approved Disposition during 2017	Adjustments during 2017 - other	Transactions/ Adjustments During Year	Closing Interest Amounts as of Dec-31-2017	Total Balance as at Dec 31, 2017		
Type 1 Accounts Requesting Disposition																		
LV Variance Account		Yes	1550	6,935,901					6,935,901	128,386	76,295			76,295	204,681	7,140,582		
RSVA - Wholesale Market Service Charge		Yes	1580	(83,556,659)					(83,556,659)	(1,513,631)	(919,123)			(919,123)	(2,432,755)	(85,989,414)		
RSVA - Retail Transmission Network Charge		Yes	1584	12,759,397					12,759,397	449,259	140,353			140,353	589,612	13,349,009		
RSVA - Retail Transmission Connection Charge		Yes	1586	67,146,385					67,146,385	1,064,741	738,610			738,610	1,803,352	68,949,736		
RSVA - Power - Sub-Account -Power		Yes	1588	26,426,431					26,426,431	519,898	290,691			290,691	810,588	27,237,019		
Group 1 Sub-Total				29,711,453	-	-	-	-	29,711,453	648,653	326,826	-	-	326,826	975,479	30,686,932		
Type 2 Regulatory Accounts Requesting Disposition																		
RCVA		Yes	1518/1548	639,837					639,837	11,379	7,038			7,038	18,417	658,254		
Pension Cost Differential Account		Yes	2405	7,023,371					7,023,371	836,155	77,257			77,257	913,413	7,936,783		
Microfit Connection Charge Variance Account		Yes	1508	(767,823)					(767,823)	(31,535)	(8,446)			(8,446)	(39,981)	(807,805)		
Tax Rate Changes Account		Yes	1592	(4,152,874)					(4,152,874)	(215,188)	(45,682)			(45,682)	(260,870)	(4,413,744)		
DG - Other Costs - HONI - Variance Account	Discontinued	Yes	1533	579,126					579,126	9,721	6,370			6,370	16,091	595,217		
DG - Express Feeders - HONI - Variance Account	Discontinued	Yes	1533							(1,503)					(1,503)	(1,503)		
Smart Grid Variance Account		Yes	1536	(11,722,854)					(11,722,854)	(337,964)	(128,951)			(128,951)	(466,915)	(12,189,769)		
OEB Cost Differential Account		Yes	1508	(1,257,062)					(1,257,062)	(3,179)	(13,828)			(13,828)	(17,006)	(1,274,068)		
DSC Exemption Deferral Account		Yes	1508	9,323,125					9,323,125	287,170	102,554			102,554	389,725	9,712,850		
Smart Meter Entity Charge Variance Account		Yes	1551	(102,598)					(102,598)	2,177	(1,129)			(1,129)	1,048	(101,550)		
Revenue Offset Difference Account - Pole Attachment Charge		Yes	2405	(2,240,583)					(2,240,583)	(6,195)	(24,646)			(24,646)	(30,842)	(2,271,425)		
Bill Impact Mitigation Variance Account		Yes	1508	2,309,706					2,309,706	32,475	25,407			25,407	57,881	2,367,588		
Sub-total Type 2 Accounts Requesting Disposition				(368,629)	-	-	-	-	(368,629)	583,512	(4,055)	-	-	(4,055)	579,457	210,828		
Total Regulatory Accounts Requesting Disposition																		
A				29,342,824	-	-	-	-	29,342,824	1,232,165	322,771	-	-	322,771	1,554,936	30,897,759	A	
Type 1 Accounts Not Requesting Disposition																		
RSVA - Power - Sub-Account -Gobal adjustment		No	1589	116,348,603					116,348,603	273,562	1,279,835			1,279,835	1,553,397	117,902,000		
Rider 9 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595													-		
Special Purpose Charge Variance Account (SPC)	Discontinued	No	1595													-		
Recovery of Regulatory Asset Balances	Discontinued	No	1590													-		
Rider 6 - Disposition and Recovery of Regulatory Balances	Discontinued	No	1595													-		
Rider 2015-2017 - Disposition and Recovery of Regulatory Balances	No		1595	7,195,979	(7,195,979)			(7,195,979)		(478,698)	79,156	819,970		899,126	420,428	420,428		
Type 2 Accounts Not Requesting Disposition																		
OEB Cost Differential Account	Discontinued	No	1508													-		
Smart Meters Minimum Functionality	Discontinued	No	1555/1556													-		
Smart Meters Exceeding Minimum Functionality	Discontinued	No	1555/1556													-		
Deferred Revenue Project Costs Account	Discontinued	No	2405													-		
Generator Joint Use Revenue Deferral Account	Discontinued	No	2405													-		
RRRP	No		1508													-		
DG - Other Costs - Provincial Pool - Variance Account	No		1533	(49,489,891)					(49,489,891)	(3,245,106)	(544,389)			(544,389)	(3,789,495)	(53,279,386)		
DG - Express Feeders - Provincial Pool - Variance Account	No		1533	(4,709,107)					(4,709,107)	(243,363)	(51,800)			(51,800)	(295,164)	(5,004,271)		
Revenue Difference Account - Pole Attachment Charge	No		1508	1,010,783					1,010,783	11,119	11,119			11,119	11,119	1,021,902		
Long Term Load Transfer (LTLT) Rate Impact Mitigation Deferral Account	No		1508	6,190					6,190	3	68			68	71	6,261		
Smart Grid Pilot Deferral Account	No		1508													-		
Sub-total Accounts Not Requesting Disposition	B			70,362,557	-	(7,195,979)	-	(7,195,979)	63,166,578	(3,693,601)	773,988	819,970	-	1,593,958	(2,099,643)	61,066,935	B	
Total Regulatory Account Balances																		
C=A+B				99,705,380	-	(7,195,979)	-	(7,195,979)	92,509,401	(2,461,436)	1,096,759	819,970	-	1,916,729	(544,707)	91,964,694	(A+B=C)	
Comment (1): 2013 Total Differs from EB-2013-0416 due to exclusion of Cat Lake Operational Deferral Account balance of \$2.8 million																		Comment 2
Comment (2): Account RSVA-Power-Sub Account-Global Adjustment has been excluded from the amount requested for disposition. For further details, please refer to Exhibit F1, Tab 1, Schedule 1.																		

**HYDRO ONE NETWORKS INC.****DISTRIBUTION****Regulatory Accounts for Approval**

As at December 31, 2017

(\$ Millions)

Line No.	Particulars	Balance as at Dec 31, 2013	Balance as at Dec 31, 2014	Balance as at Dec 31, 2015	Balance as at Dec 31, 2016	Forecasted Balance as at Dec 31, 2017
		(a)	(b)	(c)	(d)	(e)
<b>Total Regulatory Accounts seeking Disposition</b>						
	LV Variance Account	3.9	5.9	4.5	7.1	7.1
	RSVA - Wholesale Market Service Charge	(72.1)	(88.7)	(51.2)	(85.1)	(86.0)
	RSVA - Retail Transmission Network Charge	39.2	43.1	15.8	13.2	13.3
	RSVA - Retail Transmission Connection Charge	16.4	29.6	53.0	68.2	68.9
	RSVA - Power - Sub-Account -Power	(0.5)	8.0	27.4	26.9	27.2
1	RSVA	(13.1)	(2.1)	49.5	30.4	30.7
2	RCVA	1.0	0.7	0.0	0.7	0.7
3	Pension Cost Differential Account	59.3	78.9	23.0	7.9	7.9
4	Tax Rate Changes Account	(17.5)	(21.9)	(4.3)	(4.4)	(4.4)
5	OEB Cost Differential Account	0.0	0.0	0.0	(1.3)	(1.3)
6	Smart Meter Entity Charge Variance Account	0.7	0.5	0.3	(0.1)	(0.1)
7	Revenue Offset Difference Account - Pole Attachment Charge	0.0	0.0	0.0	(2.2)	(2.3)
8	Bill Impact Mitigation Variance Account	0.0	0.0	1.8	2.3	2.4
9	Microfit Connection Charge Variance Account	(1.6)	(2.4)	(0.8)	(0.8)	(0.8)
10	DG - Other Costs - HONI - Variance Account	(1.2)	(0.6)	0.6	0.6	0.6
11	DG - Express Feeders - HONI - Variance Account	(0.3)	(0.3)	(0.0)	(0.0)	(0.0)
12	Smart Grid Variance Account	(1.1)	(12.8)	(11.9)	(12.1)	(12.2)
13	DSC Exemption Deferral Account	6.6	16.0	9.5	9.6	9.7
	<b>Total Regulatory Accounts seeking Disposition</b>	<b>32.9</b>	<b>56.0</b>	<b>67.8</b>	<b>30.6</b>	<b>30.9</b>
(a) 2013 audited balances						
(b) 2014 audited balances						
(c) 2015 audited balances						
(d) 2016 audited balances						
(e) 2017 forecasted balances includes forecast interest improvement						
<b>Total Regulatory Accounts not Seeking Disposition</b>						
1	RRRP	2.3	1.2	(1.8)	0.0	0.0
2	DG - Other Costs - Provincial Pool - Variance Account	(48.1)	(64.0)	(60.5)	(52.7)	(53.3)
3	DG - Express Feeders - Provincial Pool - Variance Account	(3.6)	(4.8)	(4.9)	(5.0)	(5.0)
4	Rider 2015-2017 - Disposition and Recovery of Regulatory Balances	0.0	0.0	20.4	6.7	0.4
5	Revenue Difference Account - Pole Attachment Charge	0.0	0.0	0.0	1.0	1.0
6	Long Term Load Transfer Rate Impact Mitigation Deferral Account	0.0	0.0	0.0	0.0	0.0
7	Smart Grid Pilot Deferral Account	0.0	0.0	0.0	0.0	0.0
8	RSVA - Power - Sub-Account - Global Adjustment	(22.4)	9.2	62.2	116.6	117.9
	<b>Total Regulatory Accounts not Seeking Disposition</b>	<b>(71.8)</b>	<b>(58.4)</b>	<b>15.4</b>	<b>66.7</b>	<b>61.1</b>
<b>Total Discontinued Regulatory Accounts</b>						
1	Special Purpose Charge Variance Account (SPC)	0.2	0.0	0.0	0.0	0.0
2	Rider 9 - Disposition and Recovery of Regulatory Balances	(19.1)	0.0	0.0	0.0	0.0
3	Smart Meters Minimum Functionality	(17.4)	(14.8)	0.0	0.0	0.0
4	Smart Meters Exceeding Minimum Functionality	21.4	26.5	0.0	0.0	0.0
5	Deferred Revenue Project Costs Account	(1.7)	(1.8)	0.0	0.0	0.0
6	Generator Joint Use Revenue Deferral Account	(0.3)	(0.5)	0.0	0.0	0.0
7	OEB Cost Differential Account	9.2	12.1	0.0	0.0	0.0
	<b>Total Discontinued Regulatory Accounts</b>	<b>(7.8)</b>	<b>21.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>Total Regulatory Accounts</b>	<b>(46.8)</b>	<b>19.2</b>	<b>83.2</b>	<b>97.2</b>	<b>92.0</b>

1           **PLANNED DISPOSITION OF REGULATORY ACCOUNTS**

2  
3           **1.       INTRODUCTION**

4  
5       The purpose of this evidence is to outline the planned disposition of Hydro One  
6       Distribution's Regulatory Accounts. For details on the regulatory accounts Hydro One  
7       Distribution is not currently seeking recovery, refer to Section 2.3 of Exhibit F1, Tab 1,  
8       Schedule 1.

9  
10          **2.       PLANNED DISPOSITION OF REGULATORY ACCOUNTS**

11  
12       Hydro One Distribution is requesting disposition of its actual audited Regulatory Account  
13       balances as at December 31, 2016, plus forecast interest for 2017 on the actual principal  
14       balances as at December 31, 2016.

15  
16       It is expected that new distribution rates will be effective and implemented on January 1,  
17       2018, and that the disposition of the accounts requested will commence on that date.  
18       Hydro One Distribution's requested recovery of regulatory account balances totalling  
19       \$30.9 million is detailed in Table 1.

**Table 1: Disposition of Regulatory Account Balances (\$ Millions)**

Description	US of A Account Ref.	Forecast Balance as at Dec. 31, 2017
Retail Settlement Variance Accounts*	1550 to 1588	30.7
Retail Cost Variance Accounts	1518/1548	0.7
Pension Cost Differential Account	1508	7.9
Tax Rate Changes Account	1592	(4.4)
OEB Cost Differential Account	1508	(1.3)
Smart Meter Entity Charge Variance Account	1551	(0.1)
Revenue Offset Difference Account – Pole Attachment Charge	1508	(2.3)
Bill Impact Mitigation Variance Account	1508	2.4
Microfit Connection Charge Variance Account	1508	(0.8)
Distribution Generation - HONI -Variance Account	1533	0.6
Smart Grid Variance Account	1536	(12.2)
Distribution System Code (DSC) Exemption Deferral Account	1508	9.7
<b>Total Regulatory Accounts for Disposition</b>		<b>30.9</b>

\* As documented in Exhibit F1, Tab 1, Schedule 1, page 5 the disposition of the Retail Settlement Variance Accounts excludes the RSVA – Power – Sub-Account – Global Adjustment.

With the setting of new distribution rates between 2018 to 2022, Hydro One Distribution is requesting that the \$30.9 million balance be recovered in a straight-line pattern over this Application's five test years, as per the schedule of annual recoveries documented in Attachment 1 to this Exhibit. Requesting this balance recovery over five years aligns customer needs for lower bills, the financial needs of the Company and rate impact. Hydro One Distribution proposes that the balance be recovered through rate riders as presented in Exhibit H1, Tab 3, Schedule 1.



**HYDRO ONE NETWORKS INC.**  
**DISTRIBUTION**  
**Planned Disposition of Regulatory Accounts**  
Schedule of Annual Recoveries\*  
Year Ending December 31  
(\$ Millions)

<b>Line No.</b>	<b>Particulars</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
		(a)	(b)	(c)	(d)	(e)	(f)
1	Adjustment to Revenue Requirement	6.2	6.2	6.2	6.2	6.2	30.9

\* Note: Above figures do not include interest improvement during the recovery period

## REGULATORY ACCOUNTS REQUESTED

### 1. INTRODUCTION

This Exhibit documents Hydro One Distribution's request for the Board's approval to continue existing or to establish new regulatory accounts and to discontinue certain regulatory accounts.

#### 1.1 Requested Regulatory Accounts

Hydro One Distribution is seeking approval to continue or establish the following accounts:

- Pension Cost Differential Account
- Tax Rate Changes Account
- OEB Cost Differential Account
- Smart Meter Entity ("SME") Charge Variance Account
- Lost Revenue Adjustment Mechanism Variance Account ("LRAMVA")
- Capital In-Service Additions ("ISA") Variance Account
- Earnings Sharing Mechanism ("ESM") Deferral Account
- Bill Impact Mitigation Variance Account
- Other Post-Employment Benefit ("OPEB") Cost Deferral Account
- Long Term Load Transfer Rate Impact Mitigation Deferral Account

The need for these accounts and the accounting and control process is described in further detail in the remainder of this Exhibit.

Witness: Samir Chhelavda

**1.2 Discontinued Regulatory Accounts**

Hydro One Distribution is not seeking continuance of the following accounts for the 2018 to 2022 rate setting period:

- Rural or Remote Electricity Rate Protection (“RRRP”) Variance Account;
- Bill Impact Mitigation Variance Account;
- Revenue Offset Difference Account – Pole Attachment Charge; and
- Revenue Difference Account – Pole Attachment Charge.

**2. DESCRIPTION OF REGULATORY ACCOUNTS REQUESTED**

**2.1 Pension Cost Differential Account**

This account is a continuation of the account accepted in EB-2013-0416.

Hydro One Distribution proposes to continue to record differences between the OM&A portion of actual pension costs recorded consistent with the actuarial assessment provided by Hydro One Distribution’s external actuary and the estimated pension costs approved by the Board as part of this Application. The expected cause for such differences is a variance in pension plan contributions driven by periodic actuarial valuations, which must be performed at a minimum every three years. As such, it is not possible for Hydro One Distribution to accurately predict its pension costs for the entire five-year rate setting periods as it is likely that actuarial changes will occur. Such changes could be material. Further details regarding this account are found in Section 2.1.3 of Exhibit F1, Tab 1, Schedule 1.

**2.2 Tax Rate Changes Account**

This account is a continuation of the account accepted in EB-2013-0416.

Witness: Samir Chhelavda

1 Hydro One Distribution proposes to continue to track variances arising from legislative or  
2 regulatory changes to tax rates or rules as compared to costs approved by the Board as  
3 part of this Application. Further details regarding this account are found in Section 2.1.4  
4 of Exhibit F1, Tab 1, Schedule 1.

5  
6 **2.3 OEB Cost Differential Account**

7 This account is a continuation of the account that was re-established per the Board's letter  
8 dated February 9, 2016, entitled "Revisions to the Ontario Energy Board Cost  
9 Assessment Model".

10  
11 Hydro One Distribution proposes to continue to track variances in annual Board  
12 assessment costs approved in rates and the actual Board cost assessment amounts charged  
13 to Hydro One Distribution. Further details regarding this account are found in Section  
14 2.1.5 of Exhibit F1, Tab 1, Schedule 1.

15  
16 **2.4 SME Charge Variance Account**

17 This account is a continuation of the account that was established consistent with the  
18 direction established in the Board's decision for proceeding EB-2012-0100/EB-2012-  
19 0211, dated March 28, 2013.

20  
21 The account was established to record the variances between the monthly settlement  
22 invoice received from the IESO, including accruals, and the amount billed to the  
23 distributor's customers for the SME charge, including accruals. The effective date of the  
24 account is May 1, 2013, to October 31, 2018. Further details regarding this account are  
25 found in Section 2.1.6 of Exhibit F1, Tab 1, Schedule 1.

26  
Witness: Samir Chhelavda

**2.5 Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)**

Hydro One Distribution proposes establishing Account 1568 - Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”) effective January 1, 2018, consistent with the Board’s Conservation and Demand Management (“CDM”) Requirement Guidelines for Electricity Distributors updated August 11, 2016, to reflect the LRAMVA Report (EB-2016-0182).

Hydro One Distribution proposes to record the variance between the Board-approved CDM adjustment to Hydro One Distribution’s load forecast in relation to the 2015 to 2020 energy saving target and the IESO’s actual verified CDM results. Since the IESO’s verified CDM results will be a consolidated total for Hydro One, including the CDM results achieved by the Norfolk Power Distribution Inc., Haldimand County Hydro Inc., and Woodstock Hydro Services Inc. (“Acquired Utilities”), Hydro One Distribution proposes applying an adjustment to remove the CDM amounts of the Acquired Utilities from the verified results provided for Hydro One until such time that these Acquired Utilities are incorporated into Hydro One Distribution rates.

The variances recorded in this account will be put forward for disposition at the time of Hydro One Distribution’s next rates rebasing application.

**2.6 Capital In-Service Additions (“ISA”) Variance Account**

Hydro One Distribution proposes the establishment of a capital in-service additions variance account, effective January 1, 2018, to track the difference between the revenue requirement associated with the actual in-service capital additions and the revenue requirement associated with the Board-approved in-service capital additions.

Hydro One Distribution proposes to track the impact on revenue requirement of any capital in-service additions that are 98% of the Board-approved amount or less for each

1 year of the five-year term, on a cumulative basis. For cumulative in-service additions  
2 that are 98% of the Board-approved level or less, the associated revenue requirement  
3 impact will be computed and reported on an annual basis in the variance account. The  
4 revenue requirement associated with variances in in-service additions resulting from  
5 verifiable productivity gains will be excluded from the calculation.

6  
7 At the end of the five-year term, Hydro One Distribution will seek disposition of the sum  
8 of the variances in each year for the benefit of customers. The variance account will be  
9 asymmetrical; should the cumulative in-service additions in any year of the five-year  
10 term exceed 98% of the cumulative Board-approved amount, no entry will be made in the  
11 variance account.

## 12 13 **2.7 Earnings Sharing Mechanism (“ESM”) Deferral Account**

14 Hydro One Distribution proposes a new earnings sharing mechanism deferral account,  
15 effective January 1, 2018, to record any over-earnings realized during any year of the  
16 five-year term through Hydro One’s distribution rates. Hydro One Distribution proposes  
17 to share with customers 50% of any earnings that exceed the regulatory return on equity  
18 reflected in the Application by more than 100 basis points in any year of the five-year  
19 term.

20  
21 The customer share of the earnings will be adjusted for any tax impacts and will be  
22 credited to a new deferral account that will be put forward for disposition at the time of  
23 Hydro One Distribution’s next rates rebasing application.

## 24 25 **2.8 Bill Impact Mitigation Variance Account**

26 As a result of integrating customers from the Acquired Utilities into Hydro One  
27 Distribution’s existing rate classes in 2021, some customers may experience adverse total  
28 bill impacts in the test years 2021 and 2022. Hydro One Distribution proposes to mitigate

Witness: Samir Chhelavda

1 these bill impacts through the use of this account, as described in Exhibit H1, Tab 4,  
2 Schedule 1. The proposed use of this account to track mitigation costs is consistent with  
3 bill impact mitigation variance accounts, proposed and approved by the Board in  
4 proceedings EB-2007-0681, EB-2009-0096, and EB-2013-0416.

5  
6 The costs of mitigation and related implementation costs will be tracked in this bill  
7 impact mitigation variance account. The required mitigation will commence in 2021, the  
8 year in which Hydro One Distribution proposes the integration of the Acquired Utilities,  
9 however mitigation will likely extend beyond the Application's five-year period.

## 11 **2.9 Other Post-Employment Benefit ("OPEB") Cost Deferral Account**

12 In March 2017, the Financial Accounting Standards Board ("FASB") issued an  
13 Accounting Standard's Update (ASU 2017-07) that affects the accounting for pensions  
14 and other post-employment benefits ("OPEBs") effective January 1, 2018.

15  
16 As part of ASU 2017-07, Topic 715 – Compensation – Retirement Benefits of the US  
17 GAAP Accounting Standards Codification has been amended. The amendments allow  
18 only the service cost component of the net periodic pension cost and net periodic post-  
19 retirement benefit cost to be eligible for capitalization when applicable. For rate-setting  
20 purposes, Hydro One Distribution accounts for its pension costs on a cash basis and  
21 therefore this amendment is not anticipated to affect the amounts included in this  
22 application. The changes to the accounting for OPEB, which Hydro One Distribution  
23 accounts for on an accrual basis for rate-setting purposes, will affect this application.

24  
25 The re-classification of these elements to OM&A would have an adverse impact on rates  
26 in a given year. Therefore Hydro One Distribution proposes to record the net periodic  
27 post-retirement benefit cost other than service cost that would have been classified as  
28 capital prior to the issuance of ASU 2017-07 in a deferral account effective January 1,

Witness: Samir Chhelavda

1 2018. Alternatively, if the Board determines is more appropriate to recover these costs in  
2 2018, Hydro One requests to revise the OM&A forecast in this application.

### 3 4 **2.10 Long Term Load Transfer Rate Impact Mitigation Deferral Account**

5 This account is a continuation of the account that was established consistent with the  
6 direction in the Board's decision for proceeding EB-2016-0167, dated August 18, 2016.

7  
8 The account was established to record lost revenue resulting from the rate impact  
9 mitigation plan for Residential and General Service rate class customers affected by the  
10 move from Hydro Ottawa to Hydro One as well as any costs involved in the set-up of  
11 such a plan. These customers will receive a monthly bill credit to offset the increase in  
12 delivery charges.

13  
14 Hydro One Distribution proposes to continue to track lost revenues from the affected  
15 customers. Further details regarding this account are found in Section 2.3.4 of Exhibit F1,  
16 Tab 1, Schedule 1.

## 17 18 **3.0 ACCOUNTING AND CONTROL PROCESS**

19  
20 The accounts requested above will be managed in the same manner as existing Hydro  
21 One Distribution variance and deferral accounts. They will be updated monthly and  
22 simple interest will be applied consistent with the Board-approved rate. Balances will be  
23 reported to the Board as part of the annual reporting process. The outstanding balances,  
24 whether in a debit or credit position, will be submitted for disposition approval by the  
25 Board as part of a future Hydro One Distribution filing. Draft accounting orders for the  
26 new accounts Hydro One Distribution is seeking to establish are presented in Appendix A  
27 to this Exhibit.

Witness: Samir Chhelavda



**APPENDIX A – PROPOSED ACCOUNTING ORDERS FOR NEW VARIANCE  
ACCOUNTS**

**Distribution Accounting Order – LRAM Variance Account**

Hydro One Distribution proposes the establishment of a “Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)” to record the differences between the Board-approved Conservation and Demand Management (“CDM”) adjustment to Hydro One Distribution’s load forecast (in relation to the 2015 to 2020 energy saving target) and the IESO’s actual verified CDM results, as documented in Section 2.5 above.

The account will be established as Account 1568, LRAMVA effective January 1, 2018. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

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

<u>USofA #</u>	<u>Account Description</u>
DR/CR 1568	LRAMVA
CR/DR 4080	Distribution Services Revenue
Initial entry to record the variance between the Board-approved CDM adjustment to the load forecast, and the actual CDM results.	
DR/CR 1568	LRAMVA
CR/DR 6035	Other Interest Expense
To record interest improvement on principal balance of LRAMVA.	

Witness: Samir Chhelavda

**Distribution Accounting Order – Capital ISA Variance Account**

Hydro One Distribution proposes the establishment of a new “Capital In-Service Additions (“ISA”) Variance Account” to record the differences between the revenue requirement associated with the actual in-service capital additions and the revenue requirement associated with the Board-approved in-service capital additions, as documented in Section 2.6 above.

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

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

<u>USofA #</u>	<u>Account Description</u>
DR/CR 1508	Other Regulatory Assets – Sub-Account “Capital ISA Variance Account”

CR/DR 4080	Distribution Services Revenue
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Initial entry to record the differences between the revenue requirement associated with the actual in-service capital additions during a rate year and the revenue requirement associated with the Board-approved in-service capital additions for that year.

DR/CR 6035	Other Interest Expense
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CR/DR 1508	Other Regulatory Assets – Sub-Account “Capital ISA Variance Account”
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To record interest improvement on principal balance of Capital ISA variance account.

Witness: Samir Chhelavda

**Distribution Accounting Order – ESM Deferral Account**

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

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

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

	<u>USofA #</u>	<u>Account Description</u>
DR	4395	Rate-Payer Benefit Including Interest
CR	2435	Accrued Rate-Payer Benefit

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

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

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

**Distribution Accounting Order – Bill Impact Mitigation Variance**

**Account**

Hydro One Distribution proposes the establishment of a new “Bill Impact Mitigation Variance Account” to track mitigation costs as a result of integrating customers from the Acquired Utilities into Hydro One’s existing rate classes in 2021, as documented in Section 2.8 above.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account “Bill Impact Mitigation Variance Account” effective January 1, 2021. Hydro One Distribution will record interest on any balance in the sub-account using the interest rates set by the Board. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

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

	<u>USofA #</u>	<u>Account Description</u>
DR	1508	Other Regulatory Assets – Sub-Account “Bill Impact Mitigation Variance Account”

CR	1100	Customer Accounts Receivable
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To record the mitigation costs resulting from the rate impact mitigation plan.

DR	1508	Other Regulatory Assets – Sub-Account “Bill Impact Mitigation Variance Account”
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CR	6035	Other Interest Expense
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To record interest improvement on principal balance of Bill Impact Mitigation Variance Account.

Witness: Samir Chhelavda

**Distribution Accounting Order – OPEB Cost Deferral Account**

Hydro One Distribution proposes the establishment of a new “Other Post-Employment Benefit (OPEB) Cost Deferral Account” to record all elements of the net periodic benefit cost other than the service cost that would have been classified as capital prior to the issuance of ASU 2017-07, as documented in Section 2.9 above.

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

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

	<u>USofA #</u>	<u>Account Description</u>
DR	1508	Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account”
CR	2055	Construction Work in Progress - Electric
To record the capitalized elements of the net periodic post-retirement benefit cost other than service cost.		
DR	1508	Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account”
CR	6035	Other Interest Expense
To record interest improvement on principal balance of OPEB Cost Deferral Account.		

Witness: Samir Chhelavda