

EXHIBIT 9 – DEFERRAL AND VARIANCE
ACCOUNTS

2025 Cost of Service

Hawkesbury Hydro Inc.
EB-2024-0031

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9.1. OVERVIEW

The purpose of HHIs exhibit is to identify the variance/deferral accounts that have been used, provide the principal balance recorded in each variance/deferral account, and derive the carrying charges on each account's balance up to and including December 31, 2023.

The exhibit also describes the methodology proposed to allocate account balances to customer classes, explains the rationale supporting the proposed disposition period, shows the proposed charge parameters, and quantifies the proposed rate riders that will dispose of the recorded balances.

All accounts are used in the Accounting Procedures Handbook. The account balance at the end of 2023 reconciles with the trial balance reported through the Electricity Reporting and Record-keeping Requirements and HHI's Audited Financial Statements. HHI has completed the OEB-provided DVA model with Group 1 and Group 2 balances. The model is filed in support of the information presented in HHIs exhibit.

HHI proposes to dispose of:

- Group 1 total (including Account 1589): A credit of (\$545,856.10)
- RSVA - Global Adjustment (1589): A credit of (\$377,951.93)
- Group 1 total (excluding Account 1589): A credit of (\$167,904.17)
- Group 2 total : (-\$114,577.14)

All of the described disposals include carrying charges up to and including December 31, 2023, are sought to be disposed on a final basis.

Group 1 and Group 2 DVA balances are proposed to be disposed of over one year. HHI has followed the OEB's guidance as provided by the OEB's Electricity Distributor's Disposition of Variance Accounts Reporting Requirements Report.

HHI notes that since the inputs for 2023 balances have not been audited yet, the model shows variances between the RRR, and the balances proposed for disposition in all accounts. HHI commits to updating the model as part of the interrogatory process.

9.1.1 Certification of Evidence

I, Michel Poulin, confirm that, to the best of my understanding or unless otherwise stated, the evidence submitted in HHIs exhibit is comprehensive and prepared in accordance with the stipulations outlined in the Chapter 2 Filing Requirements for Electricity Distribution Rate Applications issued on December 20, 2023, as well as other OEB policies. I further certify that HHI hired a third party to supervise the process MNP is presently calculating on behalf of Hawkesbury Hydro Inc. due to the delay in disposing of the variances in accounts 1588/1589.

Michel Poulin

General Manager

9.2. DISPOSITION OF DEFERRAL AND VARIANCE ACCOUNTS

9.2.1 DVA Balances Sought for Disposition

Table 1 – Balances Sought for Disposition

	Account	Interest	Balance sought for disposal	Allocator
LV Variance Account	1550	\$9,954	\$101,005.40	kWh
Smart Metering Entity Charge Variance Account	1551	-\$2,495	-\$27,788.46	# of Customers
RSVA - Wholesale Market Service Charge5	1580	\$9,447	\$40,801.85	kWh
Variance WMS – Sub-account CBR Class A5	1580	-\$26	\$0.00	kWh
Variance WMS – Sub-account CBR Class B5	1580	-\$1,585	-\$3,474.46	kWh
RSVA - Retail Transmission Network Charge	1584	\$23,862	\$238,579.20	kWh
RSVA - Retail Transmission Connection Charge	1586	\$7,379	\$99,006.81	Non-RPP kWh
RSVA - Power (excluding Global Adjustment)4	1588	-\$75,850	-\$616,034.51	
RSVA - Global Adjustment 4	1589	-\$43,633	-\$377,951.93	
Pole Attachment Revenue Variance	1508	-\$10,880	-\$113,311.72	Distribution Rev.
Customer Choice Initiative Costs	1508	\$1,455	\$12,888.29	kWh
Retail Cost Variance Account - Retail	1518	-\$1,742	-\$16,084.15	# of Customers
Retail Cost Variance Account - STR	1548	\$3,052	\$24,637.16	# of Customers
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	-\$1,182	-\$22,706.72	kWh
Variance WMS - Sub-account CBR Class B (separate rate rider if Class A Customers)	1580		(3,474)	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)			-\$167,904.17	
Rate Rider Calculation for Account 1580, sub-account CBR Class B			-\$3,474.46	
Account 1589 (allocated to non-WMPs)			-388,337	
Total of Group 2 Accounts Above		-\$9,296	-\$114,577.14	

All accounts in Groups 1 and 2 listed above comply with the Accounting Procedure Handbook. For definitions of each account listed below, please refer to the Accounting Procedure Handbook using the following link:

HHI last disposed of its 1588/1589 DVA balances in its 2019 IRM.

http://www.ontarioenergyboard.ca/oeb/ Documents/Regulatory/Accounting_Procedures_Handbook_Elec_Distributors.pdf

HHI confirms that the 2023 balances are as of December 31, 2023, and have been audited.

GROUP 1 ACCOUNTS

HHI is seeking the following account balances for disposition.

- 1550 - Smart Metering Entity Charge Variance Account \$101,005**
- 1551 - Smart Metering Entity Charge Variance Account (\$27,788)**
- 1580 - RSVA - Wholesale Market Service Charge \$37,327**
- 1584 - RSVA - Retail Transmission Network Charge \$238,579**
- 1586 - RSVA - Retail Transmission Connection Charge \$99,007**
- 1588 - RSVA - Power (excluding Global Adjustment) (\$616,035)**
- 1589 - RSVA - Global Adjustment (\$388,337)**
- 1580 - Disposition of CBR Class B Variances. (\$3,474) Included in account 1580 above.**

HI calculates its CBR balances and tracks in its subaccount. Out of the remaining amount of \$40,802 in account 1580, a sum of (\$3,474) is assigned to CBR Class B. The breakdown is displayed in the DVA Model Tab 2a continuity schedule.

1595 - Disposition of Residual Balances. (N/A)

HHI is proposing to dispose of any 1595 balances as part of HHIs application.

HHI confirms that for all of the Group 1 accounts listed above, it has followed the Accounting Procedure Handbook.

Table 2 – Disposition Status of Account 1595

Year	Rate Application	Disposition Period	Sunset Reached	Rate Ride Sunset Date	Audited	Plus 2 years	Rate Year Eligible
2020	2022	1 yr.	X	12/31/2021	✓	X	2026
2021	2023	1 yr.	X	12/31/2022	✓	X	2027
2022	2024	1 yr.	X	12/31/2023	✓	X	2028

HHI also confirms that there are no residual balances for vintage Account 1595 being disposed of and that all historical dispositions of 1595 have only been done once.

None of HHI’s 1595 residual balances have met the criteria for disposition. Therefore, HHI is not filing the associated 1595 Worksheet for each of these balances sought for disposition.

GROUP 2 ACCOUNTS

Account		Total Claim incl interest	Allocator
Pole Attachment Revenue Variance	1508	(113,311)	Distribution Rev.
Customer Choice Initiative Costs	1508	12,888	kWh
Retail Cost Variance Account - Retail	1518	(16,084)	# of Customers
Retail Cost Variance Account - STR	1548	24,637	# of Customers
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(22,707)	
Total Group 2 Accounts		(114,577)	

HHI notes that costs related to Green Energy Button and the implementation of ULO are included in the utility's OM&A.

1518 and 1548 - Retail Service Charges. (N/A)

HHI confirms that the account has been used to record the net of revenues, including accruals, derived from establishing service agreements, distributor-consolidated billing, and retailer-consolidated billing. Account 1518 also includes the costs of entering into Service Agreements, and related contract administration, monitoring, and other expenses necessary to maintain the contract, as well the incremental costs incurred to provide the services related to distributor-consolidated billing, and retailer-consolidated billing.

HHI confirms that the amount has been used to record the revenues derived, including accruals, from the Service Transaction Request services and charged by the distributor in the form of: Request fee, processing fee, information request fee, default fee, and other associated fees. The account also includes the cost of labour, internal information system maintenance costs, and delivery cost related to the provision of the services associated with the previously mentioned services.

HHI is requesting disposition of the December 31, 2023, audited debit balances in accounts 1518-Retail Cost Variance Account-Retail of (\$16,084) and 1548-Retail Cost Variance Account-STR of \$24,637. These variances are incremental costs of providing retail services. The following table displays actual income and expenses from 2012 to 2016, with estimated values for 2017 and 2018.

In accordance with the November 29, 2018, Accounting Order, HHI is using the two accounts until HHIs application. It will be using the following accounts as of January 1,2025.

1. 1508 Other Regulatory Assets, Sub-account Retail Service Charges Incremental Revenue

2. 1508 Other Regulatory Assets, Sub-account Retail Service Charges Incremental Revenue Carrying Charges

For account 1518 – Retail Cost Variance Account - Retail, the last disposal is in year 2018 (Balance as at December 31, 2016). HHI is requesting disposition of the December 31, 2023, audited balance, plus forecasted interest through December 31, 2024. The balance requested for disposal, including carrying charges, is a debit of \$16,084.15.

HHI’s expenses for retail services are recorded in the sub-account of USoA account 4082. The following Table 4A provides the breakdown of drivers, expenses and revenues for the balances.

Table 3 – Income/Expense Providing Retail Service 1518

Year	Revenue-4082	Expenses-4082	Total Variances	Interest	Variance Account 1518
2017	-\$ 5,429.30	\$ 4,720.00	-\$ 709.30	\$ 4.47	-\$ 704.83
2018	-\$ 5,530.10	\$ 5,520.00	-\$ 10.10	\$ 22.93	\$ 12.83
2019	-\$ 7,631.20	\$ 5,520.00	-\$ 2,111.20	-\$ 34.15	-\$ 2,145.35
2020	-\$ 9,089.89	\$ 5,520.00	-\$ 3,569.89	-\$ 56.89	-\$ 3,626.78
2021	-\$ 8,268.46	\$ 5,520.00	-\$ 2,748.46	-\$ 44.90	-\$ 2,793.36
2022	-\$ 7,639.19	\$ 5,520.00	-\$ 2,119.19	-\$ 205.13	-\$ 2,324.32
2023	-\$ 8,593.87	\$ 5,520.00	-\$ 3,073.87	-\$ 641.09	-\$ 3,714.96
Sub-total	-\$ 52,182.01	\$37,840.00	-\$14,342.01	-\$ 954.76	-\$15,296.77
2024 Interest Est.				-\$ 787.38	-\$ 787.38
Total				-\$1,742.14	-\$16,084.15

For account 1548 – Retail Cost Variance Account - STR, the last disposal is in 2018, (balances as of December 31, 2016) Cost of Service. HHI is requesting disposition of the December 31, 2023, audited balance, plus forecasted interest through December 31, 2024. The balance requested for disposal, including carrying charges, is a debit of \$24,637.16

HHI’s expenses for retail transaction services are recorded in the sub-account of USoA account 4084. The following Table 4B provides the breakdown of expenses and revenues for the balance.

Table 4 – Income/Expense Providing Retail Transactions 1548

Year	Revenue - 4084	Expenses -4084	Total Variances	Interest	Variances Account 1548
2017	-\$ 35.00	\$ 2,950.68	\$ 2,915.68	\$ 29.46	\$ 2,945.14
2018	-\$ 19.75	\$ 2,994.96	\$ 2,975.21	\$ 123.85	\$ 3,099.06
2019	-\$ 79.75	\$ 3,054.84	\$ 2,975.09	\$ 165.33	\$ 3,140.42
2020	-\$ 54.00	\$ 3,115.26	\$ 3,061.26	\$ 136.28	\$ 3,197.54
2021	-\$ 56.81	\$ 3,171.96	\$ 3,115.15	\$ 76.86	\$ 3,192.01
2022	-\$ 59.04	\$ 3,267.12	\$ 3,208.08	\$ 331.66	\$ 3,539.74
2023	-\$ 96.28	\$ 3,430.56	\$ 3,334.28	\$1,003.97	\$ 4,338.25
Sub-total	-\$ 400.63	\$21,985.38	\$21,584.75	\$1,867.41	\$23,452.16
2024 Interest Est.				\$1,185.00	\$ 1,185.00
Total				\$3,052.41	\$24,637.16

1508 – Wirepole Attachments Charges. (\$113,311)

On July 20, 2018, The OEB issued Accounting Guidance on Wireline Pole Attachment Charges. The guidance stated that LDCs without a distributor-specific pole attachment charge LDCs must record the excess incremental revenues received from carriers for the new pole attachment charge in a new variance account, Account 1508 – Sub Account – Pole Attachment Revenue Variance.

In compliance with the guidance, HHI started recording, starting on September 1, 2018, and ending in December 2022; the excess revenue collected from the difference between revenue charged to carriers and new rates was recorded in 1508.

Carrying charges have been applied to the balance in HHIs account at the OEB prescribed interest rates and recorded in the new variance account.

The guidance states that once an LDC has had the new pole attachment charge incorporated in a cost-based rate application, the variance account would no longer be required and must be closed after the disposition of the last of the amounts that have been tracked.

Given that the amount changes on a yearly basis, the assumption is that utilities will continue to record the difference between the amount charged and collected. HHI proposes to dispose of the balances in account 1508 up to the end of 2023. It does not anticipate using the account going forward unless the OEB changes the provincial rate.

Table 4 – Wirepole Attachment

Date	Number of Poles	Rate Used for Total Invoice Amount	Total Invoice Amount	Total Approved in OEB Rates @ 22.35	Total Variance Amount	DATE AU LIVRE
Sept - Dec 2018 BELL	646	\$28.09	\$6,048.71	\$4,812.70	-\$1,236.01	01/01/2019
Jan - Dec 2019 BELL	643	\$43.63	\$28,054.09	\$14,371.05	-\$13,683.04	12/31/2019
Jan - Dec 2019 COGECO	275	\$43.63	\$11,998.25	\$6,146.25	-\$5,852.00	01/01/2019
Jan - Dec 2020 BELL	643	\$44.50	\$28,613.50	\$14,371.05	-\$14,242.45	12/31/2020
Jan - Dec 2020 COGECO	275	\$44.50	\$12,237.50	\$6,146.25	-\$6,091.25	01/01/2020
Jan - Dec 2021 BELL	643	\$44.50	\$28,613.50	\$14,371.05	-\$14,242.45	12/31/2021
Jan - Dec 2021 COGECO	275	\$44.50	\$12,237.50	\$6,146.25	-\$6,091.25	01/01/2021
Jan - Dec 2021 (IGS - 5 months)	3	\$44.50	\$55.63	\$27.94	-\$27.69	12/31/2021
Jan - Dec 2022 BELL	643	\$34.76	\$22,350.68	\$14,371.05	-\$7,979.63	12/31/2022
Jan - Dec 2022 COGECO	275	\$44.50	\$12,237.50	\$6,146.25	-\$6,091.25	01/01/2022
Jan - Dec 2022 IGS	3	\$44.50	\$133.50	\$67.05	-\$66.45	01/01/2022
Jan - Dec 2023 BELL	643	\$36.05	\$23,180.15	\$14,371.05	-\$8,809.10	12/31/2023
Jan - Dec 2023 COGECO	275	\$36.05	\$9,913.75	\$6,146.25	-\$3,767.50	01/01/2023
Jan - Dec 2023 IGS	3	\$36.05	\$108.15	\$67.05	-\$41.10	01/01/2023
Total Principal as of December 31, 2023					-\$88,221.17	
Jan - Dec 2024 Est.	921	\$37.78	\$34,795.38	\$20,584.35	-\$14,211.03	
Total Principal as of December 31, 2024					-\$102,432.20	
Total Interest through December 31, 2024					-\$10,879.26	
Total Disposition Request					-\$113,311.46	

HHI did not use the following Group 2 accounts, instead costs were deemed to be ongoing and as such included in the appropriate OM&A or Capital account. HHI notes that only ongoing costs are included in the Test Year.

- **1508 – Customer Choice Initiative Costs**
- **1508 – Green Button Initiative Costs**
- **1508 – ULO Implementation Cost**
- **1508 – OEB Assessment**

1592 - Accelerated CCA \$(22,707)

As explained in Exhibit 6, HHI, with the assistance of its accounting firm, has complied with the Accelerated Investment Incentive program, which provides for the first-year increase in CCA deductions on eligible capital assets acquired after November 20, 2018.

HHI confirms that it has recorded the impact of the CCA rules changes in Account 1592 - PILs and Tax Variances – CCA Changes for November 21, 2018, up to 2025 Test Year. The worksheet

showing the calculations of the entire revenue requirement impact is filed along with HHI's application. The DVA model shows the full revenue requirement impact recorded in Account 1592.

HHI acknowledges the OEB's practice with respect to the impact of changes in taxes due to regulatory or legislated tax changes during an incentive rate-setting period has been to share the impacts between distributor shareholders and ratepayers on a 50/50 basis. HHI also understands that HHIs practice may not apply concerning CCA rules; therefore, the utility proposes to dispose 100% of its balances in the same manner as it disposes of its other deferral and variance accounts through the DVA rate rider mechanism.

HHI is not proposing to smooth the impact of the CCA rules changes and disposition over the IRM period. The utility is proposing not to continue using Account 1592 unless there are new changes to the CCA rules.

The calculations for HHI's impact of accelerated CCA has been filed along with HHIs application.

9.2.2 Group 2 Account Proposed to be Discontinued and Request for New Variance Account Going Forward.

HHI confirms that it is not requesting any new deferral or variance accounts, nor is it proposing to discontinue any Group 2 Account at HHIs time.

9.2.3 Accounting Orders for Previous Applications and Departure from Board Approved Balances

HHI confirms it was not instructed to apply for any specific accounting orders in its previous application. HHI has not made any adjustments to deferral and variance account balances that the Board previously approved on a final basis in either cost of service or IRM proceedings.

9.2.4 Interest Rates

The table below provides the interest rates by quarter applied to calculate actual and forecast carrying charges for each regulatory and variance account.

Table 5 – Interest Rates

Period	Interest Rate
Q1 2019 (Actual)	2.45%
Q2 2019 (Actual)	2.18%
Q3 2019 (Actual)	2.18%
Q4 2019 (Actual)	2.18%
Q1 2020 (Actual)	2.18%
Q2 2020 (Actual)	2.18%
Q3 2020 (Actual)	0.57%
Q4 2020 (Actual)	0.57%
Q1 2021 (Actual)	0.57%
Q2 2021 (Actual)	0.57%
Q3 2021 (Actual)	0.57%
Q4 2021 (Actual)	0.57%
Q1 2022 (Actual)	0.57%
Q2 2022 (Actual)	1.02%
Q3 2022 (Actual)	2.20%
Q4 2022 (Actual)	3.87%
Q1 2023 (Actual)	4.73%
Q2 2023 (Actual)	4.98%
Q3 2023 (Actual)	4.98%
Q4 2023 (Actual)	5.49%
Q1 2024 (Actual)	5.49%
Q2 2024 (Actual)	5.49%
Q3 2024 (Actual)	5.20%
Q4 2024 (Actual)	5.20%

HHI has used the latest OEB prescribed interest rates as published on the website at: <https://www.oeb.ca/regulatory-rules-and-documents/rules-codes-and-requirements/prescribed-interest-rates>

9.2.5 Disposition and Rate Riders

Board policy states that at the time of rebasing, all account balances should be disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline. Per the above statement, HHI proposes to dispose of all its balances listed in the table below. The only account that is not sought for disposition is account 1595, which does not meet the OEB's criteria for disposition.

The 2025_DVA_Continuity_Schedule detailing each account is being filed in conjunction with HHIs application.

Table 6 – Balances Sought for Disposition (DVA Model - Tab 5 Allocation of Balances)

		Balance sought for disposal	Allocator
LV Variance Account	1550	101,005	kWh
Smart Metering Entity Charge Variance Account	1551	(27,788)	# of Customers
RSVA - Wholesale Market Service Charge	1580	37,327	kWh
RSVA - Retail Transmission Network Charge	1584	238,579	kWh
RSVA - Retail Transmission Connection Charge	1586	99,007	kWh
RSVA - Power (excluding Global Adjustment)	1588	(616,035)	kWh
RSVA - Global Adjustment	1589	(388,337)	Non-RPP kWh
Total Group 1 accounts above (excluding 1589)		(167,904)	
Pole Attachment Revenue Variance	1508	(113,312)	Distribution Rev.
Customer Choice Initiative Costs	1508	12,888	kWh
Retail Cost Variance Account - Retail	1518	(16,084)	# of Customers
Retail Cost Variance Account - STR	1548	24,637	# of Customers
PILs and Tax Variance for 2006 and Subsequent Years- Sub-account CCA Changes	1592	(22,707)	kWh
Variance WMS - Sub-account CBR Class B (separate rate rider if Class A Customers)	1580	(3,474)	kWh
Total of Group 1 Accounts (1550, 1551, 1584, 1586 and 1595)		410,803	
Total of Account 1580 and 1588 (not allocated to WMPs)		(578,707)	
Account 1589 (allocated to non-WMPs)		(388,337)	
Total Group 2 Accounts		(114,577)	

HHI confirms the following statements:

- HHI has not made any adjustments to DVA balances previously approved by the Board on a final basis in the previous Cost of Service or IRM proceedings.
- The utility has no balances for disposition for renewable generation and smart grid development.
- HHI does not have any Market Participants. As such, it does not need to establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO.
- HHI is proposing to dispose of balances where the values for accounts 1588/1589 are entered in 2018 to 2023 and interest until end of 2024.
 - HHI notes that following HHI's delay in disposing its 1588/1589, it hired a third-party Baker Tilly to review the process with MNP. The report is included at Appendix A of this Exhibit.
- HHI confirms that its balances proposed for disposition are consistent with the financial statements.

The determination of the rate riders is shown in the tables below. Following OEB policy, HHI is seeking a one-year disposition period. HHI has used the approved allocators .

Table 7 – Rate Riders for the Group 1

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	kWh	50,447,580	-\$74,096.48	-\$0.0015
General Service < 50 Kw	kWh	18,034,273	-\$20,685.76	-\$0.0011
General Service > 50 To 4999 Kw	kW	186,745	-\$72,154.86	-\$0.3864
Unmetered Scattered Load	kWh	421,393	-\$412.24	-\$0.0010
Sentinel	kW	855	-\$48.10	-\$0.0563
Street Lighting	kW	1,435	-\$506.73	-\$0.3531
Total			-\$167,904.17	

Table 7 – Rate Rider Account 1580 CBR Class B

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	kWh	50,447,580	-\$1,223.77	\$0.0000
General Service < 50 Kw	kWh	18,034,273	-\$437.48	\$0.0000
General Service > 50 To 4999 Kw	kW	186,745	-\$1,789.23	-\$0.0096
Unmetered Scattered Load	kWh	421,393	-\$10.22	\$0.0000
Sentinel	kW	855	-\$1.19	-\$0.0014
Street Lighting	kW	1,435	-\$12.57	-\$0.0088
Total			-\$3,474.46	

Table 8 – Rate Riders RSVA – Power Global Adjustment

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	kWh	343,361	-\$1,700.87	-\$0.0050
General Service < 50 Kw	kWh	3,522,433	-\$17,448.65	-\$0.0050
General Service > 50 To 4999 Kw	kWh	73,757,579	-\$365,363.99	-\$0.0050
Unmetered Scattered Load	kWh	253,859	-\$1,257.51	-\$0.0050
Sentinel	kWh	-	\$0.00	\$0.0000
Street Lighting	kWh	517,985	-\$2,565.88	-\$0.0050
Total			-\$388,336.89	

Table 9 – Rate Riders for Group 2

"Rate class	Units	Kw / kwh / # of customers	Allocated group 1 balance (excluding 1589)	Rate rider for deferral/variance accounts
Residential	# of Customers	4,938	-\$66,635.01	-\$1.1246
General service < 50 kw	kWh	18,034,273	-\$16,487.46	-\$0.0009
General service > 50 to 4999 kw	kWh	186,745	-\$31,301.79	-\$0.1676
Unmetered scattered load	kW	421,393	-\$380.05	-\$0.0009
Sentinel	kWh	855	-\$87.56	-\$0.1024
Street lighting	kW	1,435	\$314.74	\$0.2193
Total			-\$114,577.14	

9.3. GLOBAL ADJUSTMENT

For account 1589, HHI is requesting disposition of the December 31, 2023, audited balance, plus forecasted interest through December 31, 2024. The balance requested for disposal, including carrying charges, is a debit of \$359,598

HHI confirms that the OEB's February 21, 2019, guidance was implemented to the degree approved by the OEB:

- HHI confirms that it pro-rated the IESO Global Adjustment Charge into the RPP and non-RPP portions and that Global Adjustment is only being applied to customers that are non-RPP. The calculated values are then entered into Account 1588 – RSVA – Power (excluding Global Adjustment) and Account 1589 – Power – Sub-account – Global Adjustment.
- The proration of the monthly Global Adjustment amount is based on the RPP versus Non-RPP kWh quantities from actual billing usage. HHI allows for effective splitting of Account 1589 Global Adjustment variance account from the Account 1588 Cost of Power variance account.

HHI notes that it has completed and filed GA Workform for 2023. All distributors are required to complete and submit a Global Adjustment (GA) Analysis Workform for each year that has not been previously approved by the OEB for disposition. The GA Analysis Workform helps the OEB to assess if the total annual variance that is recorded to Account 1589 is reasonable. The Workform compares the actual general ledger transactions recorded during the year 2023 to an expected balance that is calculated based on monthly GA volumes, revenues, and costs. HHI confirms it has completed the GA Analysis Workform for 2023 and the variance calculated is below the 1% materiality threshold. The Workform has been filed as part of this application.

Concerning Global Adjustment, HHI confirms the following statements:

- HHI confirms that the billing determinant and all the rate riders for the GA are calculated on an energy basis (kWh) regardless of the billing determinant used for distribution rates for the class.
- HHI notes that it does have Class A customers.
- HHI is seeking final disposition of its GA balances in HHI's proceeding.
- The utility pro-rates the IESO Global Adjustment Charge into the RPP and Non-RPP portions.
- 1589 account audited balance December 31, 2023, was last approved for disposition in 2024 on a final basis.

Third Party Review of Settlement Process

HHI recognizes that it faced significant delays in disposing of its 1588 and 1589 accounts. These delays were partly due to unusually high disposition balances that had accumulated during

the monthly settlement process managed by MNP, and that had been identified during the IRM process.

At the OEB's request, HHI recognized the need to address these issues and to ensure the accuracy and compliance of its settlement and financial practices, HHI decided to bring in external expertise. HHI hired Baker Tilly, a renowned accounting and advisory firm, to conduct a thorough review of the monthly settlement process carried out by MNP. The objective was to understand the root causes of the unusually high disposition balances and the multi-year delay in disposing of these two critical accounts.

The review by Baker Tilly involved a detailed examination of the procedures and methodologies used by MNP in the monthly settlement process. This included scrutinizing the calculations, data handling, and any assumptions made that could have contributed to the discrepancies and delays. The goal was to identify any errors, inefficiencies, or areas where the process could be improved to prevent similar issues in the future.

The findings from Baker Tilly's review are presented at Appendix A of this exhibit.

By engaging Baker Tilly to review the process, HHI demonstrates its commitment to transparency, regulatory compliance, and continuous improvement in its Global adjustment settlement and financial operations.

9.4. LRAMVA

HHI confirms that it is not seeking disposal of loss revenues related to conservation savings in HHIs proceeding therefore none of the LRAMVA filing requirements apply in HHIs case.

APPENDICES

List of Appendices

Appendix 9A	3 rd party review of process – Baker Tilly

Memorandum - 1588/1589 Deferral and Variance Account Balances

Date: February 13th, 2024

To: Michel Poulin

From: Baker Tilly KDN

Subject: Inspection and Analysis of 1588/1589 Deferral and Variance Account Balances

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Disclaimer

This memorandum outlines inspection and analysis of the 1588/1589 deferral and variance account balances.

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Inspection and Analysis of Account Balances

Subsection 1: Examination of Account 1588

Our inspection has revealed the presence of a substantial credit balance accumulating in account 1588. Conceptually, this balance seems inappropriate, considering that monthly filings with the Independent Electricity System Operator (IESO) should ideally reconcile the majority of the difference between revenues and costs.

In our efforts to investigate this matter further, we examined three months of filings with the IESO in 2020 (April, May, and June). Our assessment indicates that the utility adheres to the Ontario Energy Board (OEB) model with no major departures or flaws detected during this period. Additionally, we extended our examination to three months of filings with the IESO in 2023 (May, June, and July).

Notably, during May and June 2023, it was observed that a second true-up was not required, as the data available allowed for the final true-up to be completed accurately in the subsequent month's filing. For instance, the estimated amounts for April, which is filed in May, there was sufficient data to reconcile the April amounts in the June filing (May IESO invoice). In other words, the filing completed in June for May charges trued up the April estimate to finals. This departure from a second true-up does not deviate from the OEB's Commodity Pass-through Variance Accounts, Account 1588 & Account 1589 guidance. It is important to highlight that this practice is rooted in the utility's billing cycle, which follows a beginning-to-end-of-month basis.

Additionally, we inspected the GA analysis work forms 2020 to 2022. The GA analysis work form is a robust tool implemented by the OEB to determine whether the balance and activity in account 1589 appear to be adequately supported. The GA analysis work forms completed by Hydro Hawkesbury demonstrate that the balance and activity in account 1589 appear to be adequately supported for this period. As the GA charge is divided between Regulated Price Plan (RPP) and non-RPP customers, it is unlikely that the allocation of the GA charge in account 1588 is fundamentally flawed.

We did not complete an inspection of all 1598 filings for the entire period and instead chose the two, three-month periods as detailed above. We tested these periods and noted no change in the methodology to complete the filings, and inquired with Hydro Hawkesbury management as to any changes in the methodology followed by Hydro Hawkesbury who confirmed there were no changes. This omission in our inspections would therefore not have detected any errors in filings from months not tested. Any errors, should they be present, may have resulted in credits received from the IESO, or insufficient charges, under charge type 142 that would have resulted in the credit balance accumulating in account 1588. The potential result would be that the credit balance in 1588 would not solely be due to RPP customers in the form of a rate rider; but that a portion may be owed to the IESO.

Subsection 2: Examination of Account 1589

In addition to our analysis of account 1588, we also scrutinized account 1589, with a focus on ensuring that its balance and activity are adequately supported. Our examination revealed no significant issues with the methodology or the balance in this account. Note that specific testing on the consumption amounts used and the revenues obtained to complete the GA analysis work forms was not conducted.

Subsection 3: Additional Comments on 1598 Filings methodology

Due to the billing cycle being from the first to last day of each month, it is possible to have all data available the following month and avoid a second true up, as observed during the May and June 2023 1598 filings. If this can be done consistently the filing and reconciliation process is simplified, greatly reducing the chance of human error and reducing workload for Hawkesbury staff. We do recommend a final true up of the 1598 filings should be completed at a minimum annually as there is some billing and consumption data that can lag.

We would also like to note that ERTH has provided utilities with a similar model to the OEBs in the past. This model could be populated and then be used as a reasonability to assess whether the results of each filing appear accurate.

Overall Summary and Conclusion

In conclusion, our inspection of the utility's financial records indicates that the methodology employed in the 1588 filings appears sound and is in accordance with the OEB's Commodity Pass-through Variance Accounts Account 1588 & Account 1589 guidance. However, we would like to note it is possible there are undetected errors in the time period of 2020 to 2022, which could have contributed to the credit balance in account 1588. Should such undetected errors exist, this credit balance would not solely be attributable to RPP customers, a portion may be due to the IESO.

On the other hand, our examination of account 1589 has not revealed any significant concerns, and it appears to be adequately supported, and therefore, does not appear to be an issue of an allocation between accounts 1588 and 1589.

We believe this report provides valuable insights for the utility to consider, especially in relation to the credit balance in account 1588. Further analysis and reconciliation of discrepancies in the 1598 filings may be necessary to ensure a more accurate representation of financial balances, as well as a wholistic review of account 1588 and its related revenue and COS accounts.

Sincerely,

Baker Tilly KDN

Jeff Taylor, CA-CPA, Partner



February 13th, 2024