DEFERRAL AND VARIANCE ACCOUNTS

1. SUMMARY OF DISPOSITION REQUEST

This exhibit summarizes Elexicon's DVA balances, as detailed in the continuity schedule provided in excel as Attachment 1 to this schedule, and provides a detailed description of the accounts proposed for disposition in this application through rate riders as presented in Exhibit 9 - Tab 3. The exhibit also identifies the new Group 2 accounts that Elexicon proposes to establish for the 2027-2031 rate term, and the accounts Elexicon proposes to continue in the 2027 to 2031 period. Table 1 below is a summary of the relief sought. The details and analysis of these follow in the noted tab references. The amount proposed for Group 2 disposition in Table 1 assumes that the Group 2 disposition requested in Elexicon's 2026 IRM, EB-2025-0046, was approved as filed. Given the timing of the release of that decision, Elexicon was unable to make any adjustments or revisions to Exhibit 9. Any revisions to these amounts because of that decision will be applied to this exhibit as required during in the application process.

Table 1: Summary of Relief Sought

	Summary of Request	Tab Reference
Group 1 Disposition as of Year End 2025	Pending Finalizing 2025	1.0
Prospective LRAM	None	2.0
Group 2 Disposition as of Year End 2026	$45,443,472	3.0
New DV Accounts	7 new accounts	4.0

2. REVIEW AND DISPOSITION OF GROUP 1 DEFERRAL & VARIANCE ACCOUNT BALANCES

2.1 Group 1 Account Balances

Group 1 accounts include account balances that are pass-through costs. The last disposition of Group 1 account balances for the Veridian Rate Zone ("VRZ") was in Elexicon's 2026 IRM application (EB-2025-0046), which was based on 2024 balances and is pending approval on a final basis. The last disposition of Group 1 account balances for the Whitby Rate Zone ("WRZ") was in Elexicon's 2024 IRM application (EB-2023-0014), which was based on 2022 balances and approved on a final basis.

No adjustments have been made to any deferral and variance account balances previously approved by the OEB on an interim or final basis for either rate zone.

In the normal course of business, Elexicon would be reviewing the 2025 Group 1 balances against the threshold to determine whether a disposition request is triggered for 2027 rates. At the time of this submission, the 2025 balances had not been finalized. Elexicon will confirm 2025 audited balances and review the Group 1 2025-year end balances when available at a later stage in this proceeding.

To support this application, Elexicon has submitted the OEB's Deferral and Variance Account Continuity Schedule Workform ("DVA Continuity Schedule") with a placeholder for the Group 1 accounts, filed as Attachment 1 to this schedule. Elexicon will update the DVA Continuity Schedule Tab 2a (Group 1) at a later stage in this proceeding when the 2025-year end balances are available.

The Group 1 2026-year end balances will be tested for the 2028 annual update.

2.1.1 Commodity Accounts 1588 and 1589

On February 21, 2019, the OEB issued accounting guidance related to Accounts 1588 Power and 1589 GA ("1588/1589 Accounting Guidance"). The accounting guidance was effective January 1, 2019 and was to be implemented by August 31, 2019. As per the Chapter 2 Filing Requirements, distributors should indicate the year in which Account 1588 and Account 1589 balances were last approved for disposition on a final basis:

VRZ - Elexicon Energy confirms that the VRZ fully implemented the 1588/1589 Accounting Guidance effective January 1, 2019. Most recently, in EB-2025-0046, the Account 1588 and Account 1589 2024 balances are pending approval on a final basis.

WRZ - Elexicon Energy confirms that the WRZ fully implemented the 1588/1589 Accounting Guidance effective November 1, 2022. Subsequently, in its Decision and Order in EB-2023-0014, the OEB approved the Account 1588 and Account 1589 2022 balances on a final basis.

2.1.2 Subsequent Accounting Guidance

On May 23, 2023, the OEB aligned the Ultra-Low Overnight (ULO) price plan with the 1588/1589 Accounting Guidance, to support the implementation of ULO pricing. The OEB also issued a finalized 1588/1589 Accounting Guidance for the commodity accounts under the Market Renewal Program ("MRP") on April 28, 2025. The finalized 1588/1589 Accounting Guidance took effect on the effective date of the MRP and supersedes the existing 1588/1589 Accounting Guidance. Elexicon confirms that all transactions recorded in Accounts 1588 and 1589 are in accordance with the respective versions of the 1588/1589 Accounting Guidance issued in those years.

2.2 Commodity Accounts Analysis Workform (formerly "GA Analysis Workform")

As stated in the Filing Requirements all distributors are required to complete and submit the Commodity Accounts Analysis Workform for each year that has not previously been approved by the OEB for disposition. As stated above, the 2025 balances have not been finalized so completion of the Commodity Accounts Analysis Workform for 2025 was not possible at the time of this submission. Elexicon will confirm 2025 audited balances when available at a later stage in this proceeding and provide a Commodity Accounts Analysis Workform at that time. As per the workform, this will include a reconciliation between the actual and expected 1589 balance, and a reasonability test for the balance in 1588.

2.3 Capacity Based Recovery ("CBR") and Global Adjustment ("GA")

At a later stage in this proceeding and if applicable, Elexicon will consider the appropriate disposition of the balance in the CBR and GA sub accounts as per the Accounting Guidance. All Class A/B transitioning customers will only be responsible for the customer specific amounts allocated to them through a one-time adjustment. They will not be charged the general CBR and GA Class B riders.

2.4 Disposition of Account 1595

At a later stage in this proceeding and if applicable, Elexicon will request disposition of 1595 (2023) and prior. The 1595 (2023) rate rider expired December 31, 2023. The accounts are eligible to be disposed December 31 2025, two years after the rate rider's expiration. The December 31, 2025 audited balances will be eligible for disposition in the 2027 rate year.

Elexicon will not be requesting disposition of any 1595 balances previously approved on a final basis. If applicable, Elexicon will explain any material residual balances being proposed for disposition.

3. LIST OF ATTACHMENTS

- Attachment 1 (Excel): DVA Continuity Schedule (OEB Deferral and Variance Account (Continuity Schedule) Workform)

EXHIBIT 9 - TAB 1 - SCHEDULE 1: ATTACHMENT 1
“DVA CONTINUITY SCHEDULE”
(REFER TO ATTACHMENT IN EXCEL FORMAT)

LOST REVENUE ADJUSTMENT MECHANISM VARIANCE ACCOUNT (“LRAMVA”)

1. DISPOSITION OF THE LRAMVA AND PREVIOUSLY APPROVED LRAM-ELIGIBLE AMOUNTS

Elexicon has a zero balance in its LRAMVA and is not requesting any disposition in this application.

In OEB Decision EB-2022-0024, the OEB approved the LRAM-eligible amounts for the years 2023 to 2028, arising from persisting savings from completed CDM programs. The LRAM-eligible amounts previously approved on a prospective basis for the years of 2027 and 2028 will not be recovered, and are not included in proposed rate riders, as any persisting impacts of CDM has been taken into consideration in setting new base rates.

2. CONTINUING USE OF THE LRAMVA FOR NEW NWS ACTIVITIES

In this application, Elexicon is not requesting the use of the LRAMVA for distribution-rate funded Non-Wires Solutions (“NWS”) activities or Local Improvement Program (“LIP”) activities. Instead, Elexicon is proposing to establish a new account pertaining to NWS with appropriate rationale and accounting details, see Exhibit 9 - Tab 4 - Schedule 2.

GROUP 2 DEFERRAL AND VARIANCE ACCOUNT BALANCES

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative ("EDDVAR") indicates that "at the time of rebasing, all account balances should be reviewed and disposed of unless otherwise justified by the distributor or as required by a specific Board decision or guideline."[1] To that end, the Chapter 2 Filing Requirements specify what information distributors must file with respect to DVA reviews and dispositions. This information is provided in the schedules that follow:

- Schedule 2 – Disposition of Group 2 Deferral and Variance Account Balances
- Schedule 3 – Account Status
- Schedule 4 – Interest Rates Applied
- Schedule 5 – Accounts Analysis
- Schedule 6 – Generic Accounts Not Being Used
- Schedule 7 – Method of Disposition

[1] Ontario Energy Board, EB-2008-0046, "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)", Executive Summary page 2, (July 31, 2009)

DISPOSITION OF GROUP 2 DEFERRAL AND VARIANCE ACCOUNTS

1. PROPOSED DISPOSITION

The last disposition of the Group 2 account balances for the VRZ and WRZ was in Elexicon's 2026 IRM application (EB-2025-0046), which was based on 2024-year end balances. Given the timing of the release of that decision, Elexicon was unable to make any adjustments or revisions to Exhibit 9. Any required revisions because of that decision will be applied to this exhibit as required during in the application process.

All Group 2 accounts were requested for disposition in EB-2025-0046 except for Cloud Computing Implementation Costs and PILs & Tax Variance-Accelerated CCA, for which disposition was deferred to this application. Table 1 is a summary of when each of the Group 2 balances started accumulating (using the assumption of approval of the request for disposition in EB-2025-0046).

Table 1: Group 2 Accumulation Period

Account Description	Accumulation Period
OEB Cost Assessments	2025
Collection of Account Variance	2025
Getting Ontario Connected ("GOCA")	2025
Pole Attachments	2025
LEAP EFA Funding	2025
Change of Estimated Useful Lives	2025
Cloud Computing Implementation Account	2025
Retail Cost Variance Account - Retail	2025
Retail Cost Variance Account - STR	2025
IFRS-CGAAP Transitional PP&E	2025
PILs & Tax Variance - Accelerated CCA	2018

Elexicon is requesting a net debit Group 2 Disposition amount of $45,443,472. Table 2 below summarizes the Group 2 accounts proposed for disposition in this application. For ease of reference, a column called "Schedule/Section Reference" has been included. The schedule/section provides a description and analysis of each Group 2 account balance sought for disposition.

Elexicon is requesting the disposition of specific Group 2 Deferral and Variance Account ("DVAs") balances on a forecasted basis as of December 31, 2026, with forecasted interest through December 31, 2027 or 2036 (as applicable and described further in this evidence).

Table 2: Disposition Request[1]

Account Description	USoA #	2026 Projected Closing Principal Balance	2026 Projected Closing Interest Balance	2026 Projected Closing Balance Total	2027 Projected Transactions	Projected Interest 2027-2036 (as applicable)	Total Principal	Total Interest/ WACC*	Total Claim	Schedule /Section Reference
OEB Cost Assessments	1508	869,601	24,410	894,012		58,393	869,601	82,803	952,405	Ex9/Tab3/Sch5/ 1
Collection of Account Variance	1508	2,287,422	64,203	2,351,625		153,602	2,287,422	217,805	2,505,227	Ex9/Tab3/Sch5/ 2
Getting Ontario Connected ("GOCA")	1508	1,098,049	27,210	1,125,259		73,976	1,098,049	101,186	1,199,235	Ex9/Tab3/Sch5/ 3
Pole Attachments	1508	-1,068,044	-29,292	-1,097,336		-71,766	-1,068,044	-101,058	-1,169,102	Ex9/Tab3/Sch5/ 4
LEAP EFA Funding	1508	470,668	11,487	482,155		31,721	470,668	43,208	513,876	Ex9/Tab3/Sch5/ 5
Change of Estimated Useful Lives	1508	304,015	-	304,015		-	304,015	-	304,015	Ex9/Tab3/Sch5/ 6
Cloud Computing Implementation Account	1511	22,511,864	742,808	23,254,672	19,492,916	5,002,726	42,004,780	5,745,533	47,750,314	Ex9/Tab3/Sch5/ 7
Retail Cost Variance Account - Retail	1518	-117,123	-1,449	-118,572		-7,988	-117,123	-9,437	-126,560	Ex9/Tab3/Sch5/ 8
Retail Cost Variance Account - STR	1548	2,341	-58	2,283		165	2,341	107	2,448	
IFRS-CGAAP Transitional PP&E	1575	1,418,555	-	1,418,555		458,193	1,418,555	458,193	1,876,748	Ex9/Tab3/Sch5/ 9
PILs & Tax Variance - Accelerated CCA	1592	-7,162,606	-1,202,528	-8,365,134		-	-7,162,606	-1,202,528	-8,365,134	Ex9/Tab3/Sch5/ 10
Total Group 2		20,614,744	-363,210	20,251,534	19,492,916	5,699,022	40,107,660	5,335,812	45,443,472	

[1] Numbers may not sum due to rounding.

Elexicon is forecasting 2025 and 2026 balances up to the end of the incentive rate-setting period (2026). The projected balances are based on the best information available at the time of this submission. Elexicon will review the balances after the 2025-year end closes and update the request over the course of this proceeding. Furthermore, Elexicon proposes to update 2026 forecast balances for all DVA accounts in Table 2 during the Draft Rate Order stage late in 2026. Elexicon has followed the Board's guidance in the Accounting Procedures Handbook ("APH") and the Accounting Procedures Handbook Frequently Asked Questions ("APH FAQ") for recording amounts in the deferral and variance accounts. In addition, Elexicon utilized the OEB's EDDVAR guidance for recording amounts in the deferral and variance accounts and the OEB's DVA Continuity Schedule Instructions.

To support this application Elexicon has submitted a Deferral and Variance Account Continuity Schedule Workform in live excel ("DVA Continuity Schedule"), provided as Attachment 1 to Exhibit 9 - Tab 1 - Schedule 1. In Tab 2b (Group 2), the opening principal and interest amounts shown in the DVA Continuity Schedule reconcile with the closing balances in the Continuity Schedule submitted in EB-2025-0046 (also submitted as Attachment 1 to this schedule for ease of reference). The Total Claim in the DVA Continuity Schedule, column BV, ties to the disposition request of $45,443,472. A reconciliation to the 2024 RRR is provided in columns BX and BY and the variances explained in Tab 3, Appendix A.

Elexicon has not made any adjustments to DVA balances that were previously approved by the OEB on a final basis.

2. LIST OF ATTACHMENTS

- Attachment 1 (Excel): 2026 Group 2 Continuity Schedule (EB-2025-0046)

EXHIBIT 9 - TAB 3 - SCHEDULE 2: ATTACHMENT 1
“GROUP 2 CONTINUITY SCHEDULE (2026)”
(REFER TO ATTACHMENT IN EXCEL FORMAT)

ACCOUNT STATUS

Table 1 below describes the status of the Group 2 accounts requested for disposition and the proposed disposition period.

Table 1: Account Status

Account Descriptions	USoA #	Type	# Disposition Years	Account Status
OEB Cost Assessments	1508	Generic	5	Continue
Collection of Account Variance	1508	Utility Specific	5	Discontinue
Getting Ontario Connected (“GOCA”)	1508	Generic	5	Discontinue
Pole Attachments	1508	Generic	5	Discontinue
LEAP EFA Funding	1508	Generic	5	Continue
Change of Estimated Useful Lives	1508	Utility Specific	5	Discontinue
Cloud Computing Implementation Account	1511	Generic	10	Discontinue
Retail Cost Variance Account - Retail	1518	Generic	5	Discontinue
Retail Cost Variance Account - STR	1548	Generic	5	Discontinue
IFRS-CGAAP Transitional PP&E	1575	Generic	5	Discontinue
PILs & Tax Variance - Accelerated CCA	1592	Generic	1	Continue

All Group 2 accounts are being proposed for disposition.

The continuation/discontinuation of these accounts is discussed Exhibit 9 - Tab 3 - Schedule 5. The proposed number of years for disposition for these accounts is discussed Exhibit 9 - Tab 3 - Schedule 7.

1. GENERIC ACCOUNTS – TO BE RETAINED

1.1 Extended Horizons Variance Account

In late 2024, the Distribution System Code (DSC) was revised to facilitate housing development connections. The DSC was amended to extend the connection horizon to a maximum of 15 years for qualifying housing developments (as newly defined) and extend the revenue horizon to 40 years for all residential customers. These amendments, effective December 23, 2024, apply to initial connection offers made on or after November 18, 2024, and became mandatory on March 3, 2025. Subsequently, on March

20, 2025, the OEB mandated a new generic deferral account, retroactive to November 18, 2024, to track revenue requirement changes stemming from reduced customer capital contributions within distribution rates.

Elexicon proposes that this generic account continue to track the impacts of the DSC change in 2025 and 2026. For 2027-2031, Elexicon proposes that this account be discontinued, provided that the OEB approves Elexicon’s proposed Demand Related Variance Account (“DRVA”) (See Exhibit 9 - Tab 4 - Schedule 2).

Elexicon’s draft investment plan was prepared as the amendments to the DSC were introduced. The amendments to the DSC apply different horizons based on whether a connection is housing related or not. The mix of housing-related and larger connections (i.e. commercial and industrial customers) will vary from year to year which introduces complexity in forecasting, particularly in the outer years of the plan. This is further exacerbated by the fact that Elexicon is seeing an increase in volume and magnitude of connections which makes historical trends challenging to rely upon. Due to these complexities, Elexicon was unable to revise investments in System Access to accommodate the horizon revisions noted above. Elexicon is proposing that the OEB approve its DRVA which will track variances in customer-demand related work relative to cost forecasts underpinning this application. In addition to other factors driving the need for the account, the DRVA provides a mechanism that will capture the cost impact of changes to the revenue and connection horizons for housing connections where they occur. Should that account be approved as proposed, the External Horizons Variance account is no longer required. If the OEB does not approve the DRVA, Elexicon requests this account be retained, anticipating it will be required over the 2027 to 2031 period.

INTEREST RATES APPLIED

The interest rates applied to calculate the carrying charges for all regulatory deferral and variance accounts are the OEB's prescribed interest rates. Elexicon has calculated interest based on the opening monthly principal balances for DVAs. Elexicon has used the Board's prescribed interest rates in order to facilitate this calculation and has used the Q4 2025 rate (2.91%) to forecast carrying charges up to December 31, 2026 and beyond. The Q1 2026 rate was received with insufficient time to be incorporated into Exhibit 9. Elexicon will update the disposition request with the updated prescribed interest rate at a later stage in this proceeding.

Table 1: Interest Rates

Quarter	Prescribed Interest Rate for DVA Accounts	Quarter	Prescribed Interest Rate for DVA Accounts
Q4 2018	2.17%	Q1 2023	4.73%
Q1 2019	2.45%	Q2 2023	4.98%
Q2 2019	2.18%	Q3 2023	4.98%
Q3 2019	2.18%	Q4 2023	5.49%
Q4 2019	2.18%	Q1 2024	5.49%
Q1 2020	2.18%	Q2 2024	5.49%
Q2 2020	2.18%	Q3 2024	5.20%
Q3 2020	0.57%	Q4 2024	4.40%
Q4 2020	0.57%	Q1 2025	3.64%
Q1 2021	0.57%	Q2 2025	3.16%
Q2 2021	0.57%	Q3 2025	2.91%
Q3 2021	0.57%	Q4 2025	2.91%
Q4 2021	0.57%	Q1 2026[1]	2.91%
Q1 2022	0.57%	Q2 2026[1]	2.91%
Q2 2022	1.02%	Q3 2026[1]	2.91%
Q3 2022	2.20%	Q4 2026[1]	2.91%
Q4 2022	3.87%		

[1] Forecasted

GROUP 2 ACCOUNTS ANALYSIS FOR DISPOSITION

The following sub-sections provide a description and analysis of each Group 2 account balance sought for disposition.

1. 1508 OTHER REGULATORY ASSET – SUB-ACCOUNT - OEB COST ASSESSMENT

The OEB issued guidance on February 9, 2016, effective April 1, 2016, for the use of "Account 1508 Other Regulatory Asset – Sub Account - OEB Cost Assessment Variance" to record any material differences between OEB cost assessments currently built into rates and cost assessments that will result from the application of the new Cost Assessment Model ("CAM"), until the utility's next rebasing application.

VRZ has tracked the difference between the approved amount in its 2014 cost of service ("COS") application EB-2013-0174, escalated for OEB-approved IPI less the stretch factor, and the actual annual OEB invoices. WRZ has tracked the difference between the approved amount in its 2010 COS application EB-2009-0274, escalated for OEB-approved IPI less the stretch factor, and the actual annual OEB invoices. See Table 1 below for the calculation of the escalated COS amounts. Elexicon is requesting disposition of the December 31, 2026 projected balance including forecast interest up to December 31, 2031, totalling $952,405 as shown in Table 2.

Table 1: CoS Amounts and Escalation for 1508 Sub Account – OEB Cost Assessment

VRZ	IRM Rate	Veridian - Adjustment to Base Rates ($)	WRZ	IRM Rate	Whitby - Adjustment to Base Rate ($)	Elexicon - Adjusted Base Rate Amount ($)
			2010 COS (EB-2009-0274)		133,319	
			2012	0.6%	134,092	
			2013	1.1%	135,540	
2014 COS (EB-2013-0174)		310,661	2014	1.4%	137,438	
2015	1.3%	314,700	2015	1.3%	139,225	
2016	1.8%	320,364	2016	1.8%	141,731	
2017	1.6%	325,490	2017	1.6%	143,998	
2018	0.9%	328,419	2018	0.6%	144,862	
2019	1.2%	332,360	2019	0.9%	146,166	
2020	1.7%	338,011	2020	1.4%	148,213	
2021	1.9%	344,433	2021	1.6%	150,584	
2022	3.0%	354,766	2022	2.7%	154,650	
2023	3.4%	366,828	2023	3.4%	159,908	
2024	4.5%	383,335	2024	4.5%	167,104	
2025	3.3%	395,985	2025	3.3%	172,618	568,603
2026	3.4%	409,449	2026	3.4%	178,487	587,936

Table 2: 1508 Sub Account – OEB Cost Assessment

Year	Included in Rates ($)	Projected Amount ($)	Principal (Variance) ($)	Interest ($)	Total Claim ($)
2025	568,603	1,003,404	434,800	5,958	
2026	587,936	1,022,737	434,801	18,452	
Balance as of December 31, 2026	1,156,539	2,026,141	869,602	24,410	
Add:					
Forecast Interest 2031				58,393	
Total			869,602	82,803	**952,405**

Elexicon requests this account be allowed to remain open due to the high volatility of the OEB's assessment costs.

2. 1508 OTHER REGULATORY ASSET – SUB ACCOUNT - LOST REVENUE – COLLECTION OF ACCOUNT CHARGES

On March 14, 2019, the OEB issued a 'Notice of Amendments to Codes and a Rule' and a Rate Order[1] enacting amendments for the non-payment of account service charges for electricity and natural gas distributors. This resulted in the elimination of the Collection of Account charge. Elexicon requested a new Deferral and Variance Account for the VRZ in its 2020 IRM application (EB-2019-0252) to record the lost revenues associated with the elimination of the Collection of Account charge.

In Schedule B of the Board's Decision and Rate Order for Elexicon's 2020 IRM application EB-2019-0252, dated April 16, 2020, the following Accounting Order was issued:

> *Elexicon Energy shall establish a variance account: Account 1508 Other Regulatory Assets, Sub-account Lost Revenue from Collection of Account charge, effective July 1, 2019 for its Veridian RZ. This account will record the lost revenue associated with elimination of the Collection of Account charge until its next rebasing application. The account will be discontinued after its next rebasing application.*
>
> *Elexicon Energy will calculate the lost revenue recorded in the variance account as follows:*

[1] Ontario Energy Board, EB-2017-0183, "Notice of Amendments", (March 2019)

> *Approved Collection of Account Revenue less Actual Collection of Account Revenue. Carrying charges at the OEB's prescribed interest rates will be applied to this sub-account.*
>
> *The lost revenue amount to be recorded in this account will be capped at an annual maximum of $1,143,711, which is equal to former Veridian Connections Inc.' revenue offset for the Collection of Account charge approved in its 2014 cost of service proceeding.*
>
> *Elexicon Energy is expected to bring forward disposition of the account balance at its next rebasing application or bring forward this balance for annual review and potential disposition along with other Group 2 accounts, either as part of an IRM application or a stand-alone application.*

The Accounting Order quoted above has been provided as Attachment 1 to this schedule, titled "Accounting Order – Lost Revenue from Collection of Account Charge". Elexicon confirms that it did establish "Account 1508 Other Regulatory Assets, Sub-account – Lost Revenue – Collection of Account Charges", and has complied with the OEB's order. Elexicon has recorded $1,143,711 annually in 1508-Sub-Account Lost Revenue from Collection of Account Charge. Elexicon is requesting disposition of the December 31, 2026 projected balance including forecast interest up to December 31, 2031; a total of $2,505,227 as shown in Table 3.

Table 3: 1508 Other Regulatory Asset– Sub Account – Lost Revenue – Collection of Account Charges

Year	Revenue Approved in COS ($)	Actual Revenue ($)	Principal (Variance) ($)	Interest ($)	Total Claim ($)
2025	1,143,711	-	1,143,711	15,666	
2026	1,143,711	-	1,143,711	48,536	
Balance as of December 31, 2026			2,287,422	64,203	
Add:					
Forecast Interest 2031				153,602	
Total			2,287,422	217,805	**2,505,227**

Elexicon proposes discontinuance of this account, as described in the Accounting Order.

3. 1508 OTHER REGULATORY ASSET – SUB ACCOUNT - GETTING ONTARIO CONNECTED ACT (GOCA) VARIANCE ACCOUNT

The Getting Ontario Connected Act, 2022 c.9-Bill 93 ("GOCA") came into force on April 14, 2022. It included amendments to the Ontario Underground Notification System Act, 2012 imposing a five-business-day deadline for completing standard locate requests and introducing administrative penalties for failing to comply.

On October 31, 2023, the OEB issued its Decision and Order in EB-2023-0143, establishing the generic "Account 1508 – Sub-Account – Getting Ontario Connected Act (GOCA)" variance account. The account is used to record incremental costs of locates resulting from the implementation of the Bill 93 (GOCA). Specifically, two costs are to be recorded in the variance account:

- incremental costs of locates arising from Bill 93
- actual ongoing locate costs that are not associated with Bill 93

The above two costs recorded would be equal to 100% of actual locate costs incurred by the utility for the period. In addition, utilities are to make offsetting credit entries equal to locates "revenue", representing the OM&A expense related to the locate cost that was approved in base rates, escalated accordingly by the annual rate adjustments approved in subsequent IRM decisions and orders. Following implementation of Bill 93, Elexicon was required to meet a five-day deadline for completing standard locate requests and could be subject to penalties for non-compliance. A detailed breakdown of the 2025 and 2026 Locate Costs related to Bill 93 and locate costs not related to Bill 93 are in Table 4 below:

Table 4: Locates Costs

	2025	2026
Total Locates costs ($)	2,295,801	2,095,040
Bill 93 Related ($)	779,533	850,568
Non Bill 93 Related ($)	1,516,268	1,244,472

Costs not related to Bill 93 are calculated by subtracting the incremental Bill 93 costs from the total locate costs.

Locate costs related to Bill 93 were determined to be made up of three main components:

1. Incremental price increases from locates third-party service providers ("LSPs")
2. Incremental price increases from One Call
3. Incremental internal labour costs associated with additional locates program oversight.

Table 5, below, includes the corresponding amounts for these components.

Table 5: Locates Costs – Bill 93 Related[2]

	2025	2026
a) LSP price increase ($)	559,272	580,971
b) One Call price increase ($)	5,268	6,058
c) Incremental Internal Labour ($)	214,993	263,538
Total ($)	779,533	850,568

a) LSP price increase

Elexicon assessed the changes in Locate Service Provider ("LSP") rates between 2022 and 2025 to determine what portion of costs could be reasonably attributed to Bill 93 (GOCA). This was done by comparing the difference between:

i. the actual 2025 LSP rates charged; and
ii. the 2022 LSP rate (pre-GOCA) escalated by expected inflation (2% - 3%).

The delta between "i" and "ii" is considered an incremental cost for locates attributable to the GOCA. From 2022 to 2023, LSP rates increased by approximately 30% to 160% depending on the LSP and the type of service to be performed.

b) One Call price increase

Elexicon also assessed the changes in Ontario One Call's fee schedule due to the passage of the GOCA and subsequent regulations. Ontario One Call fees increased by approximately 12% in 2023.

[2] Numbers may not sum due to rounding.

c) Incremental internal labour

Elexicon has also added incremental internal supervisory and administrative staff to ensure compliance with the Bill 93 requirements. The requirements created by GOCA and revised timelines for locates, as well as the risk of penalties for non-conformity, required implementing additional oversight, tracking and reporting, as well as supervision.

Pursuant to the Accounting Order in EB-2023-0143, Elexicon established a separate sub-account – "Getting Ontario Connected Act (GOCA)" variance account to track variances between actual locate costs (including the impact related to Bill 93 and ongoing costs not related to Bill 93), and locate costs approved in the legacy LDCs' COS applications. The amount in rates was calculated using the amount from Veridian's 2014 application (EB-2013-0174) and Whitby's 2010 application (EB-2009-0274) and then increased each year until 2026 by the IRM inflation rate less the stretch factor. Please see Table 6 for the calculation of the COS amounts.

Elexicon is requesting disposition of the December 31, 2026 projected balance including forecast interest up to December 31, 2031, totalling $1,199,235 as shown in Table 7.

Table 6: CoS Amounts and Escalation for 1508 Sub Account – GOCA

VRZ	IRM Rate	Veridian - Adjustment to Base Rates ($)	WRZ	IRM Rate	Whitby - Adjustment to Base Rate ($)	Elexicon - Adjusted Base Rate Amount ($)
			2010 COS (EB-2009-0274)		224,121	
			2012	0.6%	225,421	
			2013	1.1%	227,855	
2014 COS (EB-2013-0174)		1,042,392	2014	1.4%	231,045	
2015	1.3%	1,055,943	2015	1.3%	234,049	
2016	1.8%	1,074,950	2016	1.8%	238,262	
2017	1.6%	1,092,149	2017	1.6%	242,074	
2018	0.9%	1,101,979	2018	0.6%	243,527	
2019	1.2%	1,115,202	2019	0.9%	245,718	
2020	1.7%	1,134,161	2020	1.4%	249,158	
2021	1.9%	1,155,710	2021	1.6%	253,145	
2022	3.0%	1,190,381	2022	2.7%	259,980	
2023	3.4%	1,230,854	2023	3.4%	268,819	
2024	4.5%	1,286,243	2024	4.5%	280,916	
2025	3.3%	1,328,689	2025	3.3%	290,186	1,618,875
2026	3.4%	1,373,864	2026	3.4%	300,052	1,673,916

Table 7: 1508 Sub Account – Getting Ontario Connected Act (GOCA)[3]

Year	Projected Locate costs related to Bill 93 ($)	Locate costs not related to Bill 93 ($)	Costs included in rates from last COS ($)	Principal (Variance) ($)	Interest ($)	Total Claim ($)
2025	779,533	1,516,268	-1,618,875	676,926	4,455	
2026	850,568	1,244,472	-1,673,916	421,124	22,754	
Balance as of December 31, 2026				1,098,049	27,210	
Add:						
Forecast Interest 2031					73,976	
Total				1,098,049	101,186	**1,199,235**

Note that the 'Locates cost related to Bill 93' is greater than the amount in the variance account. Elexicon has absorbed a portion of the Bill 93 costs, up to the amount determined to be in rates. A detailed discussion of Elexicon's Locates program and related costs is in section 6 of Exhibit 4 - Tab 1 - Schedule 4. Elexicon has reflected the GOCA impact in the Test Year's revenue requirement. Elexicon's 2027 to 2031 OM&A forecast reflects the full costs of the program, including those incremental costs that persist as a result of the GOCA.

Elexicon proposes discontinuance of this account.

4. 1508 OTHER REGULATORY ASSET – SUB ACCOUNT - POLE ATTACHMENT REVENUE VARIANCE

On March 22, 2018, the OEB issued the Report of the Ontario Energy Board: Wireline Pole Attachment Charges (EB-2015-0304). The report established a new variance account, "Account 1508 – Sub-Account – Pole Attachment Revenue Variance", to be used for recording the incremental revenue arising from the changes to the pole attachment charge compared to the pole attachment charge incorporated in rates. Veridian's pole attachment rate ($22.35 per year per pole) was set as part of its 2014 COS application (EB-2013-0174). Whitby's pole attachment rate (also $22.35 per year per pole) was set as

[3] Numbers may not sum due to rounding.

part its 2010 application (EB-2009-0274). In contrast, the pole attachment charges prescribed by the OEB in 2025 and 2026 (projected) are as follows:

Table 8: Actual Pole Attachment Rate

Effective Date of Rate Change	Per Attachment per Year ($)
January 1, 2025	39.14
January 1, 2026[4]	40.59

As permitted in the Chapter 2 Filing Requirements, Elexicon has forecasted the balance in this account to the effective date of its next rebasing (i.e. end of 2026). This can be done with reasonable accuracy. Elexicon requests disposition of Sub-Account 1508 Pole Attachment for $1,169,102 as a refund to customers, including interest to December 31, 2031 as shown in Table 9 below.

Table 9: 1508 Sub Account – Pole Attachment Revenue Variance

Year	2014 COS Approved Rate ($/pole)	OEB Approved Rate During Year ($/pole)	Incremental Charge ($/pole)	VRZ No. of Poles	WRZ No. of Poles	Total No. of Poles	Principal (Variance) ($)	Interest ($)	Total Claim ($)
	a	b	c=b-a	d	e	f=d+e	g=c*f		
2025	22.35	39.14	16.79	24,479	6,012	30,491	-511,944	-6,978	
2026	22.35	40.59	18.24	24,479	6,012	30,491	-556,100	-22,315	
Balance as of December 31, 2026							-1,068,044	-29,293	
Add:									
Forecast to December 2031								-71,765	
Total							-1,068,044	-101,058	**-1,169,102**

Elexicon proposes discontinuance of this account.

[4] Assume 3.7% increase

5. 1508 OTHER REGULATORY ASSET – SUB ACCOUNT - LEAP EFA FUNDING

On February 12, 2024, in its review of the Low-income Energy Assistance Program Emergency Financial Assistance ("LEAP EFA"), EB-2023-0135, the OEB announced changes to the program and related Accounting Orders that came into effect March 1, 2024. As a result of the changes, electricity distributors were expected to incur more LEAP funding costs. Elexicon's Emergency Financial Assistance contributions in 2025/2026 are due to these OEB rule changes. Specifically, eligible customers cannot be denied a LEAP grant due to lack of funding, and income eligibility criteria were expanded to align with the OESP income thresholds. Also, LEAP funding grants increased through recent program changes: Electric heating LEAP grants increased from $600 to $780 and non-electrical heating LEAP grants increased from $500 to $650.

The Accounting Order for electricity distributors established "Account 1508 - Other Regulatory Assets, Sub-account LEAP EFA Funding Deferral Account" to allow rate-regulated electricity distributors to record prudently incurred incremental LEAP EFA contributions made on and after March 1, 2024, that exceed the funding amounts currently embedded in their rates. The amounts in rates for VRZ has been calculated as follows:

2014 Service Revenue Requirement $53,857,480 x .12% = $64,629

The amounts for WRZ has been calculated as follows:

2010 Service Revenue Requirement $20,197,169 x .12% = $24,237

As detailed in Table 10, Elexicon has projected the difference between the LEAP amounts in base rates and the actual costs incurred. Elexicon is requesting disposition of $513,876, including interest to 2031.

Table 10: 1508 LEAP EPA FUNDING

Year	Included in Rates ($)	Projected Amount ($)	Principal (Variance) ($)	Interest ($)	Total Claim ($)
2025	88,866	324,200	235,334	2,238	
2026	88,866	324,200	235,334	9,249	
Balance as of December 31, 2026			470,668	11,487	
Add:					
Forecast Interest 2031				31,721	
Total			470,668	43,208	513,876

Elexicon confirms that the actual LEAP EFA amounts were prudently incurred. Elexicon's LEAP Agencies screen and qualify customers for LEAP grants based on the LEAP eligibility rules. Elexicon provides to these agencies its confirmation that the potentially eligible customer is in our service territory and what their arrears are. The determination of eligibility and approval for the program lies with the Agencies. Elexicon requests the account remain open due to the uncertainty of the future demand on LEAP EFA funding, as well as the possibility of further program changes by the OEB.

6. 1508 OTHER REGULATORY ASSET – SUB ACCOUNT - ESTIMATED USEFUL LIVES – WRZ

6.1 Accounting Order

In Whitby's 2019 Annual IR Application EB-2018-0079, the OEB approved the use of a new deferral account: "Account 1508, Sub-account - Changes in Estimated Useful Lives" to record the impact of accounting changes to depreciation as a direct result of changes in estimated useful lives resulting from Whitby Hydro's annual review as required under IFRS per the depreciable asset section of IAS 16 – Property, Plant and Equipment.

As per the Accounting Order:

> *This account applies to Whitby Hydro or, if Whitby Hydro's proposed merger with Veridian Connections Inc. is approved by the Board, this account applies to the "legacy Whitby Hydro Rate zone".*

The sub-account has an effective date of January 1, 2019. No carrying charges or a rate of return is permitted in this account. The accounting order also stipulated that the cumulative variance recorded in this account was to be disposed of no later than Whitby Hydro's next rebasing application through an adjustment to distribution revenue.

As directed in the Accounting Order, Elexicon has complied with the following:

> *Whitby Hydro shall maintain records of the depreciable amount of an asset's useful life. Upon completion of the merger (if approved) the new merged entity shall maintain records of the assets (where practical) for the legacy Whitby Hydro rate zone for the purpose of recording transactions to this account.*

> *Whitby Hydro shall review the useful life of an asset at least at each financial year-end and, if expectations differ from previous estimates, calculate the new depreciable amount of an asset's useful life.*

The accounting order also included the following:

> *Annual transactions for recording to the new 1508 sub-account must be material, and materiality will be assessed annually for aggregate changes in depreciation on a fiscal/rate year basis.*

> *Amounts booked to the 1508 sub-account shall be underpinned by an annual depreciable PP&E study report. The report will, with respect to Whitby Hydro (or, potentially, the "legacy Whitby Hydro rate zone" if the merger application is approved) itemize and support all adjustments made to depreciation expense, indicating which adjustments were recorded, and establishing that they were material. Moreover, adjustments shall be symmetrical (i.e. assessments of impacts will be for both scenarios where asset lives are extended and where asset lives are reduced). And, any request for disposition will not be granted automatically, rather it will need to be based on prudence established by the utility at the time it seeks disposition of the sub-account (no later than its next rebasing application).*

The Accounting Order quoted above is provided as Attachment 2 to this schedule, title "*Accounting Order- Change in Estimated Useful Lives".*

6.2 Impact of Merger on 1508 Sub Account (Estimated Useful Lives)

Subsequent to its 2019 Annual IR Application (EB-2018-0079), Whitby Hydro merged with Veridian on April 1, 2019 (EB-2018-0236). Per IFRS 3 Business Combinations[5], using the acquisition method, the former Veridian Connections was deemed as the acquirer based on its relative size compared to that of the former Whitby Hydro. In IFRS 10, paragraph 19, it states, "A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances".[6] Following the merger, as part of the WRZ's annual review, Elexicon updated the useful life estimates of WRZ assets to be consistent with those for the VRZ as required by IFRS 3 and IFRS 10. This review was done in conjunction with the Veridian assets by reviewing the previous estimates used in VRZ, which were underpinned by the Kinectrics Report[7].

The WRZ excel report accompanying this disposition request is provided as Attachment 3 to this schedule. The report itemizes and supports all adjustments made to depreciation expense, indicating which adjustments were recorded, and establishing that they were material. All adjustments are symmetrical.

6.3 Post-Merger Approach

Whitby's estimated PP&E, since merger, has been based on Veridian's estimated useful lives. On a yearly basis, Elexicon monitors the depreciation of assets. If new assets are added, the depreciation is determined based on the information available from the vendor and an assessment from Elexicon's asset management team.

For the period of April 2019 to 2026 the cumulative PP&E difference, less the amount pending approval in EB-2025-0046, is $304,015. Elexicon confirms that no carrying charges or rate of return has been applied to the balance.

A summary of this calculation is provided in Table 11.

[5] IFRS 3, Business Combinations, page A198
[6] IFRS 10, Consolidated Financial Statements, page A581
[7] EB-2013-0174, EX4_APPL_Veridian COS_201210, Exhibit 4 - Tab 6 - Schedule 1, page 3

Table 11: Impact of Accounting Changes to PP&E – WRZ

	2019	2020	2021	2022	2023	2024	2025	2026
	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	$	$	$	$	$	$	$	$
PP&E Values under W UL								
Opening net PP&E	86,742,266	83,763,215	79,955,722	76,288,623	72,618,026	69,408,958	66,274,694	63,253,022
Net Additions	-214,257	-244,407	-186,141	-573,187	-336,491	-442,559	-340,338	-290,051
Net Depreciation (amounts should be negative)	-2,764,794	-3,563,086	-3,480,957	-3,097,410	-2,872,576	-2,691,705	-2,681,335	-2,685,097
Closing net PP&E	83,763,215	79,955,722	76,288,623	72,618,026	69,408,958	66,274,694	63,253,022	60,277,874
PP&E Values under EE UL								
Opening net PP&E	86,742,266	83,409,761	79,572,838	75,955,720	72,177,345	68,667,436	65,201,190	61,964,548
Net Additions	-214,257	-244,407	-186,141	-573,187	-336,491	-442,559	-340,338	-290,051
Net Depreciation (amounts should be negative)	-3,118,248	-3,592,517	-3,430,977	-3,205,187	-3,173,418	-3,023,688	-2,896,304	-2,774,143
Closing net PP&E	83,409,761	79,572,838	75,955,720	72,177,345	68,667,436	65,201,190	61,964,548	58,900,353

	2024	2025	2026
Difference in Closing net PP&E, under EE UL vs. WUL	1,073,505	1,288,474	1,377,520
Pending Approval in EB-2025-0046			1,073,505
Final Disposition Request			304,015

This account was effective 2019. This is evident in the above table as the opening balances in 2019 are the same. Note that Table 11 is a subset of the total WRZ assets. Table 11 represents only those assets that underpin the opening balance at the timer of merger.

Elexicon proposes discontinuance of the account based on direction in the Accounting Order.

7. 1511 CLOUD COMPUTING IMPLEMENTATION COSTS DEFERRAL ACCOUNT

In a letter dated November 2, 2023 the OEB established a deferral account relating to incremental cloud computing implementation costs. The generic deferral account is effective December 1, 2023, and is used to record incremental cloud computing implementation costs incurred by utilities and any related offsetting savings, if applicable.

7.1 Request for Disposition

Elexicon is seeking disposition of the balances tracked in this account for a distinct cloud implementation project, Dx NEXT. A project summary of Dx NEXT is provided as Appendix A to Exhibit 4 - Tab 1 - Schedule 6.

The amounts recorded in this account represent all costs associated with the implementation of the cloud solution and are incremental to amounts included in rates. Given the amount of time that has elapsed since Elexicon's legacy utilities rebased (EB-2009-0274 and EB-2013-0174), expenses related to implementation of cloud solutions were not embedded in rates, and thus all costs recorded are incremental. Elexicon requests that the amounts related to the implementation of Dx NEXT be recovered over a ten-year period.

Elexicon is also requesting that the one-time 2027 implementation costs for Dx NEXT be included in the account and deferred in the same manner. In addition to the amounts tracked in the account for years 2024 to 2026, Elexicon is proposing to allocate $19.5M, which is the forecast amount associated with this project that is expected in 2027. This amount is a one-time implementation cost associated with the final phase of Dx NEXT. In order to align the full project costs with the deferral account, and mitigate 2027 rate impact, Elexicon is proposing this additional amount be tracked to the existing account and is proposing disposition of the total implementation costs, $42M, plus interest, over a ten-year period commencing in 2027.

The total amount Elexicon is requesting for disposition is $47,750,314 which includes interest. As requested, this balance would be disposed of from 2027 to 2036.

7.2 Dx NEXT Recovery Period

As noted in the OEB's letter of November 2, 2023, the treatment of cloud computing costs that are expensed instead of capitalized warrants consideration of alternate treatment for ratepayers if the expenses incurred are an investment in multi-year computing solutions that would benefit ratepayers over a longer period of time:

> "Furthermore, cloud computing systems are typically in use by utilities for several years to provide service to customers but the costs are currently expensed in the year they occur. If a computing solution goes into service in a rebasing year, operating **expenses for that base year may be inflated**." [8] [emphasis added]

In its Cost of Capital Decision and Order, EB-2024-0063, the findings confirmed utilities can propose alternate deferral periods to align with the nature of the cloud investment:

> The Cloud Computing deferral account was set up for instances when utilities incur material expenditures on their initial transition from on-premise solutions to cloud computing solutions so as to mitigate disincentives during an IRM term to select optimal solutions. At the next rebasing rate application following establishment of the account in November 2023, **the utility can propose methods for disposition of the account for the OEB's approval**. The **nature of the cloud solution** should be considered in determining the disposition methodology. That consideration would include the **timing and duration of any contract term** and the magnitude of the expenditure. **Recovery would generally be expected to be over the remaining contract term** unless the utility has a strong rationale for doing otherwise. [emphasis added][9]

As outlined in the Project Summary (Exhibit 4 - Tab 1 - Schedule 6 - Appendix A), the service term of the investment is ten years. Considering the duration of the service term, Elexicon proposes a ten-year recovery period, commencing in 2027, for the Dx NEXT related implementation costs.

In order to balance the significant project costs and executability of Dx NEXT, Elexicon adopted a three-phased implementation over the years 2025, 2026, 2027, and Q1 2028. Elexicon decided to stagger the implementation work generated by this project in consideration of Elexicon's limited internal capacity and the need to build sufficient time for data cleansing and migration. Phases 1 & 2 took place prior to rebasing and were not funded through Elexicon's rates. As such, Elexicon recorded implementation costs for Phase 1 and Phase 2 in the generic 'Cloud Computing Implementation Costs'

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[8] Ontario Energy Board, "Re: Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs", (November 2, 2023), page 2

[9] Ontario Energy Board, "Decision and Order - Cost of Capital and Other Matters", (March 27, 2025), Section 3.8.1, pages 102 to 103.

account (003-2023) for recovery commencing in 2027. However, this three-phase approach has resulted in the final phase of one-time implementation costs being incurred in the Test Year of a rate term.

Elexicon's cloud-based ERP project is scheduled to be completed by the end of 2027/Q1 2028. Elexicon's implementation costs for 2027, as detailed in the Project Summary, are approximately ~$19.5M (see Table 4 in Exhibit 4 - Tab 1 - Schedule 6 - Appendix A). The scale of investment and anticipated life cycle and value of this project warrant amortizing costs to mitigate ratepayer impact and align the service term of this investment with implementation costs. If the utility is unable to amortize the implementation costs incurred in 2027, customers will see a significant spike in their rates in 2027 followed by a dramatic drop in the following year. This would also create an intergenerational inequity, as it would place the burden of the implementation costs which are one-time costs, on customers in 2027. However, the service term and benefits of this cloud-based ERP will be realized over a much longer term. The ten-year period better aligns the timing of recovery of costs with the timing of the service term of the investment.

This proposal for a ten-year recovery period, which includes the one-time costs in 2027, aligns with objectives of the initial accounting order[10] as detailed in Table 12 below.

[10] Ontario Energy Board, "Re: Accounting Order (003-2023) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs", (November 2, 2023), page 2

Table 12: OEB Guidance Application to Dx NEXT 10 Year Deferral Proposal

OEB Guidance on Accounting Practices for Cloud Computing[10]	Application to Dx NEXT 10 Year Deferral Proposal
"be based on sound regulatory principles including principles of fairness, minimizing intergenerational inequity and minimizing rate volatility"	Given benefits of this project accrue for several years past implementation phase, and the service life of the investment is ten years, the period of cost recovery should align with that period. Spreading out recovery of implementation costs is also needed to prevent current rate payers from paying all costs associated with a project that will benefit future ratepayers.
"balance the effects on both customers and shareholders when taking into account financial accounting requirements"	Given the nature of the project, costs were expensed rather than capitalized. Elexicon's shareholders were required to fund the borrowing costs for the first two years of the project's implementation in 2025 and 2026. In 2027, rather than imposing the remaining portion of implementation costs (approx. $19.5 M) as part of its base OM&A budget, given these are one-time costs, it is proposing to include all implementation costs in the existing cloud account, and defer recovery over a period of ten years to align with the anticipated service term of the investment.
"be primarily driven by the objective of just and reasonable rates"	By spreading the recovery of all implementation costs over a 10-year period, Elexicon is reducing the impact of a significant one-time expenditure on rates.

7.3 Dx NEXT Project Costs: Eligibility for Recovery

Sections 2.9.2 of the OEB's Chapter 2 Filing Requirements sets out the OEB's 3-part test for the establishment of new DVAs, wherein an electricity distributor must meet the criteria of Causation, Materiality, and Prudence. The following sub-sections address each element of the OEB's 3-part test as it relates to the Cloud Computing Implementation Account.

For cloud implementation costs associated with Dx NEXT, Elexicon is requesting disposition of **$47,750,314**, including interest to 2036.

Materiality: As noted above, the implementation costs for the Dx NEXT project amount, $42,004,780, well exceeding Elexicon's materiality threshold of $700,000.

Causation: The Dx NEXT project costs tracked in Account 1511 are those costs related to the implementation of cloud-based solution for Elexicon's customer information system (CIS) and enterprise resource platform (ERP) and are outside of base rates. Elexicon's base rates are derived from

Veridian's previous Cost of Service in 2013 (EB-2013-0174) and Whitby's Cost of Service in 2010 (EB-2009-0274). At the time base rates were established, IT investments, including software, were primarily a capital cost and neither legacy utility had an ERP solution. The amounts specific to IT expenditure are not detectable in the Whitby COS as that application pre-dates the filing requirements to include programmatic OM&A expenditures. The Veridian COS (EB-2013-0174) included approximately $880,000 of OM&A costs related to Information Technology in 2014. This historical amount represents about 13% of the forecasted IT spend in 2025 and 2026, excluding Dx NEXT (see Exhibit 4 - Tab 1 - Schedule 6 - Table 4). Therefore, all Dx NEXT-related amounts are outside of the base upon which rates are determined.

Prudence: As detailed in the Dx NEXT project summary (Exhibit 4 - Tab 1 - Schedule 6 - Appendix A), Elexicon ensured a prudent option could be adopted by setting up a rigorous RFP process to select the project vendor and software option that aligns with Elexicon's needs and is compatible, secure, and sustainable. Elexicon has also timed the implementation such that existing software that will be replaced by the cloud-based ERP solution ceases in a timely fashion. Although Elexicon's selected vendor has full responsibility for all implementation, Elexicon is actively monitoring and assessing the vendor's performance against the terms of the implementation to ensure project execution will align with the scope, budget, and timeline for completion.

Elexicon proposes discontinuance of the account in 2027 as Elexicon is not proposing to record any further amounts in this account in excess of the balance requested for disposition ($42.00M). Elexicon is seeking recovery of all Dx NEXT project implementation costs, including those forecast costs for 2027 (for Phase 3 of the implementation).

8. 1518 AND 1548 - RETAIL COST VARIANCE ACCOUNTS – RETAIL AND SERVICE TRANSACTION REQUESTS (STR)

This account is used to capture the differences between the revenues collected based on OEB-approved rates, and the actual incremental costs of providing the related services. The services include billing, settlement, and enrolment as described further below. The methodology underlying the operation of these variance accounts is provided in the Accounting Procedures Handbook – Article 490 and has been followed in determining the RCVA balances.

In the February 14, 2019, EB-2015-0304, Decision and Order, the OEB set out its expectation in Section 3.2 that "electricity distributors that currently record the revenues and costs associated with the RCVAs are expected to continue to do so until their next rebasing application. At rebasing, the balances will be disposed of and the RCVAs will be eliminated."

Elexicon confirms it followed Article 490, Retail Services and Settlement Variances of the Accounting Procedure Handbook for Accounts 1518 and 1548 and all costs incorporated into the variances reported in Accounts 1518 and 1548 are incremental costs of providing retail services.

Table 13 & Table 14 below are a summary of revenues and expenses. Elexicon has provided an excel model as Attachment 4 to this schedule, with revenue and expense by USoA account numbers that are incorporated into the variance accounts.

8.1 Cost Drivers

The incremental costs are primarily related to labour costs for billing, settlement, supervisory and customer service efforts related to retail services in addition to costs that have been incurred to operate and maintain the HUB. The HUB is a centralized computer system that enables LDCs and retailers to connect and route EBTs (Electronic Business Transactions) in order to facilitate billing.

Elexicon currently administers billing and settlement for 16 active retailers in its service territory with customers across the various rate classes. Elexicon must ensure that billing and customer service is aligned to support those customers who have elected to sign a retailer contract and to manage the billing requirements as well as communication and settlement with each different retailer and type of customer. Rate and billing changes, bill presentment, the addition of new retailers, customer enrolments all require set up, testing and review in order to ensure a high level of billing accuracy. This effort is in addition to what would be required for standard supply service customers. Elexicon must also meet various regulatory requirements, (such as accounting and reporting), that are affected by the presence of retailers in the industry.

8.2 1518 Retail Services

Elexicon requests disposition of Account 1518 RCVA Retail Services for $(126,560) as a return to customers, including interest to December 31, 2031.

Details are shown in Table 13.

Table 13: 1518 Retail Cost Variance Account - Retail[11]

Year	Revenues ($)	Expenses ($)	Principal (Variance) ($)	Interest ($)	Total Claim ($)
2025	81,544	25,599	-55,945	179	
2026	84,317	23,140	-61,177	-1,628	
Balance as of December 31, 2026			-117,123	-1,449	
Add:					
Forecast Interest 2031				-7,988	
Total			-117,123	-9,437	**-126,560**

8.3 1548 Service Transaction Request "STR" services

Elexicon requests disposition of Account 1548 Retail Cost Variance Account - STR for $2,448 as a collection from customers, including interest to December 31, 2031.

Details are shown in Table 14.

Table 14: 1548 Retail Service Transaction Request - STR[12]

Year	Revenues ($)	Expenses ($)	Principal (Variance) ($)	Interest ($)	Total Claim ($)
2025	1,512		-1,512	-13	
2026	1,564	5,417	3,853	-44	
Balance as of December 31, 2026			2,341	-58	
Add:					
Forecast Interest 2031				165	
Total			2,341	107	**2,448**

Elexicon proposes discontinuance of these accounts.

[11] Numbers may not sum due to rounding.
[12] Numbers may not sum due to rounding.

9. 1575 - IFRS-CGAAP TRANSITIONAL PP&E AMOUNTS - VRZ

9.1 Background

Veridian's rebasing application (EB-2013-0174) for its 2014 rates was made under previously modified CGAAP. In March 2012, the Canadian Accounting Standards Board ("AcSB") provided an optional deferral until January 1, 2013 to rate-regulated entities for their mandatory changeover from Canadian GAAP ("CGAAP") to International Financial Reporting Standards ("IFRS"). By way of a letter on July 17, 2012, the OEB provided electricity distributors electing to remain on CGAAP in 2012 the option of implementing regulatory accounting changes for depreciation and capitalization policies effective on January 1, 2012. This letter also specified that the implementation of these changes was mandatory effective on January 1, 2013.

Veridian made accounting changes in capitalization policy and depreciation under CGAAP in 2012. Veridian recorded the impact of the accounting changes in Account 1576 Accounting Changes Under CGAAP and disposed of Account 1576 in its 2014 cost of service application EB-2013-0174. Following the July 17, 2012 accounting direction, the AcSB provided rate-regulated entities two further deferrals for their IFRS changeover which shifted the mandatory changeover date to January 1, 2015. Veridian adopted IFRS as of January 1, 2015, and as required, has restated 2014 under IFRS for purposes of accounting and financial reporting under IFRS.

Elexicon confirms that the OEB guidance on transitional PP&E balances has been followed. Specifically, Article 220 and Article 510 of the Accounting Procedures Handbook (January 1, 2012) requires distributors use account 1575 to record differences in PP&E arising as a result of accounting policy changes caused by the transition from previous Canadian GAAP to modified IFRS. In addition, distributors are required to record the subsequent year-over-year cumulative financial differences in the account before a cost-of-service application under MIFRS. The calculation for the balance in this account does not accrue carrying charges. A rate of return component shall be applied to the balance in Account 1575 upon its disposition in rates.

On June 25, 2013 the OEB issued its letter "Accounting Policy Changes for Accounts 1575 and 1576". The Board announced changes to policy regarding rate of return for Account 1576 and 1575 and disposition method. It stated, "The Board will require a rate of return component to be applied to the balance in Account 1576 upon its disposition in rates and will require the use of separate [rate] riders for the disposition of the balances in Accounts 1575 and 1576."

9.2 Summary of Account 1575

Elexicon has complied with the OEB direction and is proposing final disposition of Account 1575. A partial disposition, to the end of 2024, is pending approval in EB-2025-0046.

Elexicon has tracked and recorded the PP&E differences arising from the restatement of 2014 under IFRS and the subsequent PP&E differences in each IFRS year in Account 1575 as directed in the Accounting Procedures Handbook. Elexicon confirms that no carrying charges have been applied to the balance. A rate of return component has been calculated using a Weighted Average Cost of Capital of 6.46% and a proposed five-year disposition period.

The total PP&E difference at December 31, 2026 between CGAAP and MIFRS, less the amount pending approval in EB-2025-0046, is $1,418,555. Table 15 (Appendix 2-EA) below summarizes the PP&E differences.

OEB Chapter 2 Appendix 2-EA has been provided in excel, as Attachment 5 to this schedule.

Table 15: UPDATE Impact of Accounting Change to PP&E[13]

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	$	$	$	$	$	$	$	$	$	$	$	$	$
PP&E Values under former CGAAP													
Opening net PP&E	183,865,661	193,389,538	203,256,485	215,505,914	226,441,516	236,511,048	252,385,373	260,287,174	274,174,949	291,744,172	306,029,743	318,299,297	337,617,959
Net Additions	19,938,586	21,245,765	24,062,085	23,440,565	23,016,680	29,131,831	22,457,391	29,131,420	33,948,395	31,006,006	28,510,011	36,514,079	30,378,325
Net Depreciation	-10,414,709	-11,378,818	-11,812,656	-12,504,963	-12,947,148	-13,257,507	-14,555,590	-15,243,645	-16,379,173	-16,720,434	-16,240,458	-17,195,417	-17,699,956
Closing net PP&E	193,389,538	203,256,485	215,505,914	226,441,516	236,511,048	252,385,373	260,287,174	274,174,949	291,744,172	306,029,743	318,299,297	337,617,959	350,296,328
PP&E Values under MIFRS													
Opening net PP&E	183,865,661	192,829,411	202,351,061	214,329,094	225,170,390	235,090,141	250,151,653	257,667,096	271,342,093	288,135,722	301,752,746	313,283,998	331,749,736
Net Additions	19,328,037	20,778,944	23,586,925	23,125,960	22,589,339	27,626,760	21,587,894	28,355,249	32,379,120	29,456,975	26,711,201	34,685,060	28,938,501
Net Depreciation	-10,364,286	-11,257,294	-11,608,892	-12,284,664	-12,669,589	-12,565,248	-14,072,451	-14,680,253	-15,585,491	-15,839,951	-15,179,950	-16,219,322	-16,825,763
Closing net PP&E	192,829,411	202,351,061	214,329,094	225,170,390	235,090,141	250,151,653	257,667,096	271,342,093	288,135,722	301,752,746	313,283,998	331,749,736	343,862,474

Difference in Closing net PP&E, former CGAAP vs. MIFRS	5,015,299	5,868,223	6,433,854
	Pending approval in EB-2025-0046		5,015,299
Effect on Deferral and Variance Account Rate Riders	Final Disposition Request		1,418,555
Closing balance in Account 1575			1,418,555
Return on Rate Base Associated with Account 1575 balance at WACC			458,193
Amount included in Deferral and Variance Account Rate Rider Calculation			1,876,748

WACC	6.46%
# of years of rate rider disposition period	5

[13] Numbers may not sum due to rounding.

The PP&E changes due to the conversion from CGAAP to MIFRS are related to the gains or losses on the disposal of PP&E.

The methodology used for the revised calculation using 2-EA is as follows: Schedule 2-EA was completed so that the 2014 Opening Net PP&E was the same for CGAAP and MIFRS. The cumulative difference between the net additions under CGAAP and MIFRS represent the assets that were derecognized. The difference between the net depreciation under CGAAP and MIFRS represents the cumulative financial differences of those retirements.

Gains or losses on the removal of PP&E are recognized immediately into depreciation expense under MIFRS. Under previous CGAAP, assets were pooled, thus when the assets were removed from service no gain or loss was recognized upon removal of the asset. The assets' net book value remained in the general ledger until the end of its useful life.

At the time Veridian prepared its last COS application for May 1, 2014 rates, derecognition losses were not projected and no value for them was included in the application as, under CGAAP, Veridian was not required to record derecognition losses. Upon conversion to IFRS effective January 1, 2015 Veridian was required to record derecognition losses going forward.

In line with the Board's guidance on derecognition gains and losses[14], Elexicon has recorded the derecognition losses recognized in each IFRS year in account 1575. All subsequent depreciation on those derecognized assets in the years following the removal have been applied to 1575 and reduced the balance in the account.

9.3 Request for Disposition

Elexicon is requesting disposition of the December 31, 2026 projected balance, including a return on rate base (5 years), of $1,876,748 as shown in Table 15.

Elexicon proposes discontinuance of the account.

[14]Ontario Energy Board, "Accounting Procedures Handbook Guidance", (March 2015), item #7

10. 1592 PILS AND TAX VARIANCES – CCA CHANGES

10.1 Context & Purpose of the Account:

On June 21, 2019, Bill C-97, the Budget Implementation Act, 2019, No. 1, was given Royal Assent. Included in Bill C-97 were various changes to the federal income tax regime. One of the changes introduced was the Accelerated Investment Incentive Program (“AIIP”), which provided for a first-year increase in capital cost allowance (“CCA”) deductions on eligible capital assets acquired after November 20, 2018.

The OEB anticipated that these Bill C-97 CCA rule changes might have a material impact on the taxes and payments-in-lieu of taxes (“PILs”) payable by electricity and natural gas utilities and Ontario Power Generation Inc. (“OPG”) (collectively, “Utilities”). On July 25, 2019, the OEB released a letter “Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance” stating that for the purposes of increased transparency, the OEB was establishing a separate sub-account specifically for the purposes of tracking the impact of changes in CCA rules. Electricity distributors were advised to use this sub-account for the impact of the Bill C-97 CCA rule changes as well as any future CCA changes instituted by the relevant regulatory or taxation bodies.

10.2 Elexicon’s use of Account 1592

Pursuant to the above noted Accounting Direction, Elexicon established a separate sub-account of “Account 1592 – PILS and Tax Variance Account - CCA Changes” to track the impact of changes in CCA rules. Elexicon calculated the difference in CCA with and without AIIP and applied its combined Federal and Provincial tax rate to this amount to determine PILs savings resulting from AIIP. These PILs savings are subsequently grossed-up and entered as credits into the 1592 sub-account. For clarity, these entries may represent actual PILs savings on a cash basis, or tax loss carry-forward balances available for use to offset PILs in future years. In Elexicon's case, the vast majority of credit entries relate to tax loss carry-forward balances. Elexicon has proposed an adjustment to the tax loss carry forward balance incorporated into PILs in rates in Exhibit 6 - Tab 2 - Schedule 1.

Elexicon is proposing a return to customers of $(8,365,134) over one year (2027) including interest to dispose of the balances to the end of 2026. Table 16 below shows the derivation of the balance sought for disposition:

Table 16: 1592 PILs and Tax Variances – CCA Changes[15]

	Year	CCA without AIIP ($)	CCA with AIIP ($)	Difference ($)	Tax Rate	PILS Impact ($)	Grossed Up-PILS ($)	Carrying Charge ($)	Total Claim ($)
Actual	2018	23,214,061	23,661,828	447,767	26.50%	118,658	161,440		161,440
Actual	2019	23,135,851	26,026,326	2,890,475	26.50%	765,976	1,042,144		-1,042,144
Actual	2020	26,007,020	29,341,725	3,334,705	26.50%	883,697	1,202,309		-1,202,309
Actual	2021	27,681,405	31,238,675	3,557,271	26.50%	942,677	1,282,553		-1,282,553
Actual	2022	30,854,010	38,070,660	7,216,650	26.50%	1,912,412	2,601,921		-2,601,921
Actual	2023	33,388,278	36,182,881	2,794,603	26.50%	740,570	1,007,578		-1,007,578
Actual	2024	33,645,861	32,539,027	-1,106,834	26.50%	-293,311	-399,063		399,063
Forecast	2025	35,304,112	36,336,436	1,032,324	26.50%	273,566	372,198		-372,198
Forecast	2026	37,133,573	36,832,708	-300,865	26.50%	-79,729	-108,475		108,475
Carrying Charges								1,202,528	-1,202,528
							7,162,606	1,202,528	-8,365,134

As shown above, the revenue requirement impact is determined by:

1. Establishing the difference in CCA with and without AIIP for each year;
2. Multiplying the annual difference in CCA by Elexicon's tax rate;
3. Grossing-up PILs impacts using Elexicon's tax rate; and,
4. Adding carrying charges at the OEB's prescribed interest rate for DVAs.

Elexicon confirms that the amounts listed above include ICM projects placed into service over the 2018 to 2026 period, and that the totals listed above align with amounts included in the DVA Continuity Schedule included as Attachment 1 to Exhibit 9 - Tab 1 - Schedule 1. An excel version of the calculations for accelerated CCA PILs Impact is provided as Attachment 6 to this schedule.

As a Custom Incentive Regulation ("CIR") applicant, Elexicon has included in this application a forecast of PILs over the 2027 to 2031 period. As shown in Exhibit 6 - Tab 2 - Schedule 1, Elexicon is not forecasting PILs in rates in 2027 to 2031. While Elexicon does not at this time intend to make further

[15] Numbers may not sum due to rounding.

entries into Account 1592 – PILS and Tax Variance Account - CCA Changes, Elexicon proposes the sub-account remain open in the event further tax changes require its use over the 2027 to 2031.

11. LIST OF ATTACHMENTS

- Attachment 1: Accounting Order - Lost Revenue from Collection of Account Charge
- Attachment 2: Accounting Order - Change in Estimated Useful Lives
- Attachment 3 (Excel): Change in Useful Lives Summary
- Attachment 4 (Excel): RCVA Revenue Expense
- Attachment 5 (Excel): OEB Appendix 2-EA Account 1575 Transitional PP&E
- Attachment 6 (Excel): Accelerated CCA PILs Impact

EXHIBIT 9 - TAB 3 - SCHEDULE 5: ATTACHMENT 1 “ACCOUNTING ORDER - LOST REVENUE FROM COLLECTION OF ACCOUNT CHARGE ” (REFER TO ATTACHMENT IN PDF FORMAT)

Schedule B

To Decision and Rate Order

Accounting Order

OEB File No: EB-2019-0252

DATED: April 16, 2020

Elexicon Energy – Veridian Rate Zone

Accounting Order
Account 1508 Other Regulatory Assets,
Sub-account Lost Revenue from Collection of Account Charge

Elexicon Energy shall establish a variance account: Account 1508 Other Regulatory Assets, Sub-account Lost Revenue from Collection of Account charge, effective July 1, 2019 for its Veridian RZ. This account will record the lost revenue associated with elimination of the Collection of Account charge until its next rebasing application. The account will be discontinued after its next rebasing application.

Elexicon Energy will calculate the lost revenue recorded in the variance account as follows:

Approved Collection of Account Revenue <u>*less*</u> *Actual Collection of Account Revenue*

Carrying charges at the OEB's prescribed interest rates will be applied to this sub-account.

The lost revenue amount to be recorded in this account will be capped at an annual maximum of $1,143,711, which is equal to former Veridian Connections Inc.' revenue offset for the Collection of Account charge approved in its 2014 cost of service proceeding.

Elexicon Energy is expected to bring forward disposition of the account balance at its next rebasing application or bring forward this balance for annual review and potential disposition along with other Group 2 accounts, either as part of an IRM application or a stand-alone application.

<u>The journal entries to be recorded are as follows:</u>

1) DR Account 1508 Other Regulatory Assets, Sub-account Lost Revenue from Collection of Account Charge – Principal
   CR Account 4235 Miscellaneous Services Revenue

To record the lost revenue associated with the elimination of the Collection of Account charge.

2) DR Account 1508 Other Regulatory Assets, Sub-account Lost Revenue from Collection of Account Charge – Carrying Charges
   CR Account 4405 Interest Income

To record carrying charges on the principal balance in the sub-account Lost Revenue from Collection of Account charge.

EXHIBIT 9 - TAB 3 - SCHEDULE 5: ATTACHMENT 2
“ACCOUNTING ORDER – CHANGE IN ESTIMATED USEFUL LIVES”
(REFER TO ATTACHMENT IN PDF FORMAT)

<u>Draft Accounting Order:</u>

<u>Account 1508 Other Regulatory Asset – Sub-account Change in Estimated Useful Lives</u>

Whitby Hydro Electric Corporation (Whitby Hydro) shall establish the following deferral account to record the impact of changes to depreciation as a direct result of changes in estimated useful lives resulting from Whitby Hydro's annual review required under IFRS, per the depreciable asset section of IAS 16 –Property, Plant and Equipment (see excerpt below). This sub-account has an effective date of January 1, 2019.

"Account 1508 Other Regulatory Asset – Sub-account Changes in Estimated Useful Lives"

> ***Depreciation (cost and revaluation models)***
> *For all depreciable assets:*
>
> *The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life [IAS 16.50].*
>
> *The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8. [IAS 16.51].The depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the entity [IAS 16.60]; a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. [IAS 16.62A]*
>
> *Note: The clarification regarding the revenue-based depreciation method was introduced by Clarification of Acceptable Methods of Depreciation and Amortisation, which applies to annual periods beginning on or after 1 January 2016.*
>
> *The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate under IAS 8. [IAS 16.61] Expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset. [IAS 16.56].*
>
> *Note: The guidance on expected future reductions in selling prices was introduced by Clarification of Acceptable Methods of Depreciation and Amortisation, which applies to annual periods beginning on or after 1 January 2016.*
>
> *Depreciation should be charged to profit or loss, unless it is included in the carrying amount of another asset [IAS 16.48]. Depreciation begins when the asset is available for use and continues until the asset is derecognised, even if it is idle. [IAS 16.55]*

1) This account applies to Whitby Hydro or, if Whitby Hydro's proposed merger with Veridian Connections Inc. is approved by the Board, this account applies to the "legacy Whitby Hydro rate zone".

2) Whitby Hydro shall use this account to record the financial differences arising as a result of accounting changes to depreciation as a result of the annual review under IFRS 16

A. Whitby Hydro shall maintain records of the depreciable amount of an asset's useful life. Upon completion of the merger (if approved) the new merged entity shall maintain records of the assets (where practical) for the legacy Whitby Hydro rate zone for the purpose of recording transactions to this account

B. Whitby Hydro shall review the useful life of an asset at least at each financial year-end and, if expectations differ from previous estimates, calculate the new depreciable amount of an asset's useful life.

C. Whitby Hydro shall record in this account the difference between items A and B above. The offsetting entry will go to Account 4305, Regulatory Debit or Account 4310, Regulatory Credit. A journal entry to record the variance is to be recorded at the end of each fiscal year only if the amount in aggregate is deemed to be material.

D. No interest carrying charges or a rate of return is permitted in this account.

E. The amount of the cumulative variance recorded in this account shall be recovered from, or refunded to, ratepayers no later than Whitby Hydro's next rebasing application through an adjustment to distribution revenue. On approval of the disposition of the balance in this account, the offsetting entry will go to Account 4080, Distribution Services Revenue.

F. Whitby Hydro shall maintain records at a level of detail sufficient to support the analysis and justification of the entries made to the account.

An example of the annual accounting entries as well as disposition entries is provided below:

Annual Accounting Entry			
Assumptions:			
a) Decrease in Asset Useful Life resulting in an increase in depreciation expense of $200,000			
b) Increase in Asset Useful Life resulting in a decrease in depreciation expense of $75,000			
Summary in 1508	$ 200,000		
	$ (75,000)		
	$ 125,000		
JE#1			
Dr Account 1508 Other Regulatory Asset - Sub Account Change in Estimated Useful Live		$ 125,000	
Cr Account 4310*, Regulatory Credit			$ 125,000

* Account 4305, Regulatory Debits should be used if the entry is a debit entry

Final Disposition - Monthly Entries		
Assumption: One year recovery period		
JE#2		
Dr Account Receivable	$ 10,417	
Cr Account 4080, Distribution Services Revenue		$ 10,417
To record rate riders recovered/refunded		
JE#3		
Dr Account 4305, Regulatory Debit	$ 10,417	
Cr Account 1508 Other Regulatory Asset - Sub Account Change in Estimated Useful Live		$ 10,417
To record approved disposition amount		

Summary of Accounts After Expiration of Disposition Period

	1508		4080		4305/4310		AR
JE#1	$ 125,000	JE#2	$ (125,000)	JE#1	$ (125,000)	JE#2	$ 125,000
JE#3	$ (125,000)			JE#3	$ 125,000		
	$ -		$ (125,000)		$ -		$ 125,000

3) Annual transactions for recording to the new 1508 sub-account must be material, and materiality will be assessed annually for aggregate changes in depreciation on a fiscal/rate year basis.

4) Amounts booked to the 1508 sub-account shall be underpinned by an annual depreciable PP&E study report. The report will, with respect to Whitby Hydro (or, potentially, the "legacy Whitby Hydro rate zone" if the merger application is approved) itemize and support all adjustments made to depreciation expense, indicating which adjustments were recorded, and establishing that they were material. Moreover, adjustments shall be symmetrical (i.e. assessments of impacts will be for both scenarios where asset lives are extended and where asset

lives are reduced). And, any request for disposition will not be granted automatically, rather it will need to be based on prudence established by the utility at the time it seeks disposition of the sub-account (no later than its next rebasing application).

EXHIBIT 9 - TAB 3 - SCHEDULE 5: ATTACHMENT 3
"CHANGE IN USEFUL LIVES SUMMARY"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

EXHIBIT 9 - TAB 3 - SCHEDULE 5: ATTACHMENT 4
“RCVA REVENUE EXPENSE”
(REFER TO ATTACHMENT IN EXCEL FORMAT)

EXHIBIT 9 - TAB 3 - SCHEDULE 5: ATTACHMENT 5
"OEB APP.2-EA ACCOUNT 1575"
(REFER TO ATTACHMENT IN EXCEL FORMAT)

EXHIBIT 9 - TAB 3 - SCHEDULE 5: ATTACHMENT 6
“ACCELERATED CCA PILS IMPACT”
(REFER TO ATTACHMENT IN EXCEL FORMAT)

GENERIC ACCOUNTS NOT BEING USED

1. REGULATORY TREATMENT OF PENSION AND OTHER POST-EMPLOYMENT BENEFITS

On September 14, 2017, the OEB issued its final report on the regulatory treatment of pension and OPEB costs establishing the use of accrual accounting as the default method on which to set rates for pension and OPEB amounts in cost-based applications. Moreover, this report also provides for the establishment of a variance account (Account 1522) to track the difference between the forecasted accrual amount in rates and actual cash payment(s) made, with an asymmetric carrying charge in favour of ratepayers applied to the differential.

Elexicon uses the accrual method to forecast costs for OPEBs. Elexicon has not recorded amounts in this account as the amounts are immaterial.

2. 1508 - DESIGNATED BROADBAND PROJECT IMPACTS DEFERRAL ACCOUNT

In a letter dated July 7, 2022, the OEB established a new generic deferral account to record the impacts pertaining to Ontario Regulation 410/22, Electricity Infrastructure - Designated Broadband Projects, under the Ontario Energy Board Act, 1998. The regulation requires that electricity distributors who have designated broadband projects in their service territory, as defined by the Building Broadband Faster Act, 2021, record all incremental costs and revenues related to carrying out activities pertaining to these projects. Elexicon confirms that no amounts have been added to this sub-account as there has not been a material amount of work required as part of the Broadband initiative.

Elexicon is requesting the continuation of this account for potential future use.

3. 1508 - GREEN BUTTON INITIATIVE DEFERRAL ACCOUNT

In a letter dated November 1, 2021, the OEB established a new generic deferral account to record the incremental costs directly attributable to the implementation of the Green Button initiative. Pursuant to amendments to the Electricity Act, 1998 that came into force on November 1, 2021, Ontario's electricity and natural gas utilities were required to implement the Green Button standard by November 1, 2023. Elexicon Energy achieved this deadline.

The Green Button is a data standard that provides residential and business energy customers access to their hourly consumption data. The accounting order states that electricity distributors may record incremental costs directly attributable to the implementation of Green Button as set out in O. Reg. 633/21 (Energy Data) under the Electricity Act, 1998. Any amounts recorded within this deferral account will require a prudency review. No incremental costs have been recorded into this account as the materiality threshold was not met.

Elexicon Energy proposes to discontinue the use of this Account.

4. 1508 - ULTRA-LOW OVERNIGHT (ULO) REGULATED PRICE PLAN OPTION

In a letter dated March 2, 2023, the OEB established a new generic deferral account to record the impacts arising from implementing the Ultra-Low Overnight (ULO) Regulated Price Plan Option. Pursuant to amendments to O. Reg. 95/05 (Classes of Consumers and Determination of Rates) under the Ontario Energy Board Act, 1998 that came into force on January 1, 2023, distributors are required to offer the new ULO price plan to Regulated Price Plan consumers no later than November 1, 2023.

The accounting order states that electricity distributors can track the revenue requirement impacts of their one-time material costs of implementing the ULO option in a deferral account. Any amounts recorded within this deferral account will require a prudency review. No incremental costs have been recorded into this account as the materiality threshold was not met.

Elexicon proposes to discontinue the use of this Account.

5. 1509 - IMPACTS ARISING FROM THE COVID-19 EMERGENCY

Shortly after the Ontario government declared a state of emergency in response to the Covid-19 pandemic, the OEB established a deferral account (the Covid-19 Account) for all rate regulated electricity and natural gas utilities, to track the incremental costs associated with the pandemic. On June 17, 2021, the OEB issued the *Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the Covid-19 Emergency* (Covid-19 Report). The Covid-19 Report noted that the Covid-19 Account would remain in effect until the utility's subsequent rebasing application, when it is reasonable to presume that rates may be reset reflecting the revised operating conditions facing the utility.

Elexicon does not have any Covid-19 amounts in this account and is therefore not requesting disposition of any amounts related to Covid-19. Elexicon proposes to discontinue use of this Account.

METHOD OF DISPOSITION

Elexicon is requesting a Group 2 Disposition amount of $45,443,472 as per Table 2 in Exhibit 9 - Tab 3 - Schedule 2. A summary of the disposition method is in Table 2 below.

1. ALLOCATION

The Group 2 balances have been allocated by rate class based on the following:

- Retail Cost Variance Account - STR and Retail Cost Variance Account - Retail Services are allocated using customer count proportions (not lights / connections).
- Pole Attachment Revenue Variance, Collection of Account, PILs and Cloud Implementation is allocated through distribution revenue proportions.
- The remaining accounts are allocated using relative kWh consumed.

2. BILLING DETERMINANTS

Elexicon has used the 2027 revenue load forecast billing determinants, as presented in Table 1, for the calculation of rate riders.

Table 1: 2027 Billing Determinants

	kWh	kW	Customers
Residential	1,578,573,635		172,854
Residential Seasonal	13,651,253		1,552
GS<50	376,280,208		12,257
GS 50 - 2,999	1,365,439,860	3,298,053	1,501
GS 3,000 - 4,999	308,941,637	634,867	18
Large Use	408,628,327	700,460	7
Street Light	16,417,838	43,690	26
Sentinel Light	237,983	665	10
USL	6,389,545		1,114

3. LENGTH OF DISPOSITION

Elexicon is proposing five rate riders: (i) PILs, (ii) Account 1575, (iii) Group 2 – Distribution Related Items, (iv) Group 2 – Other Income Related Items and (v) Cloud Computing Implementation costs. Table 2 summarizes the accounts associated with each rate rider, the total amount for disposition, the proposed disposition period and the annual balance that will be recovered each year through the resulting rate riders.

Table 2: Summary of Rate Riders and Balances for Disposition[1]

Account Descriptions	USoA #	Allocator	Total Balance for Disposition ($)	Disposition Years	Annual Balance for Disposition (2027) ($)
PILs					
PILs & Tax Variance - Accelerated CCA	1592	Dist. Revenue	-8,365,134		
Sub-Total			-8,365,134	1	-8,365,134
1575 IFRS-CGAAP Transitional PP&E					
IFRS-CGAAP Transitional PP&E	1575	kWh	1,876,748		
Sub-Total			1,876,748	5	375,350
Other Income Related Items					
Collection of Account Variance	1508	Dist. Revenue	2,505,227		
Pole Attachments	1508	Dist. Revenue	-1,169,102		
Retail Cost Variance Account - Retail	1518	#customers	-126,560		
Retail Cost Variance Account - STR	1548	#customers	2,448		
Sub-Total			1,212,014	5	242,403
Distribution Related Items					
OEB Cost Assessments	1508	kWh	952,405		
Locates	1508	kWh	1,199,235		
LEAP EFA Funding	1508	kWh	513,876		
Change of Estimated Useful Lives	1508	kWh	304,015		
Sub-Total			2,969,530	5	593,906
Cloud Computing Implementation Costs					
Cloud Computing Costs Dx Next	1511	Dist. Revenue	47,750,314		
Sub-Total			47,750,314	10	4,775,031
Total			**45,443,472**		

A separate rate rider for the disposition of the balance in 1575 is being requested as per the OEB's expectations. The distinction between *Distribution* related items and *Other Income* will help facilitate financial statement reporting of the rate rider recovery.

As proposed in Exhibit 9 - Tab 3 - Schedule 5, Elexicon is proposing a five-year disposition for the Group 2 items to mitigate the bill impact of these costs. The one exception relates to the PILs amount in 1592, which Elexicon is proposing to dispose of in one year (2027) as it is a substantial return to ratepayers, and was deferred from Elexicon's 2026 IRM in order to be decided in the context of this Application.

[1] Numbers may not sum due to rounding.

As discussed in Exhibit 9 - Tab 3 - Schedule 5 – Section 7, Elexicon is proposing to recover the amount associated with the implementation of Elexicon's cloud-based ERP system (the "Dx NEXT" project – described in detail in Exhibit 4 - Tab 1 - Schedule 6 - Appendix A) over a ten-year period.

4. PROPOSED RATE RIDERS

The following tables provide the proposed rate riders based on the annual balances for disposition and allocators shown in Table 2.

Table 3: PILs Rate Riders[2]

Rate Class	Balance for Disposition ($)	Billing Determinant		Rate Rider - 1 year (2027)	
Residential	-5,534,931	172,854	# Customers	-2.67	$/Customer
Residential Seasonal	-93,660	1,552	# Customers	-5.03	$/Customer
General Service <50 kW	-994,174	376,280,208	kWh	-0.0026	$/kWh
General Service 50 - 2,999 kW	-1,293,134	3,298,053	kW	-0.3921	$/kW
General Service 3,000 - 4,999 kW	-132,147	634,867	kW	-0.2081	$/kW
Large Use	-197,991	700,460	kW	-0.2827	$/kW
Street Light	-91,460	43,690	kW	-2.0934	$/kW
Sentinel Light	-2,325	665	kW	-3.4947	$/kW
USL	-25,311	6,389,545	kWh	-0.0040	$/kWh
Total	**-8,365,134**				

[2] Numbers may not sum due to rounding.

Table 4: 1575 IFRS-CGAAP Transitional PP&E Rate Riders[2]

Rate Class	Annual Balance for Disposition ($)	Billing Determinant		Rate Rider – 5 year (2027-2031)	
Residential	145,419	172,854	# Customers	0.07	$/Customer
Residential Seasonal	1,258	1,552	# Customers	0.07	$/Customer
General Service <50 kW	34,663	376,280,208	kWh	0.0001	$/kWh
General Service 50 - 2,999 kW	125,785	3,298,053	kW	0.0381	$/kW
General Service 3,000 - 4,999 kW	28,460	634,867	kW	0.0448	$/kW
Large Use	37,643	700,460	kW	0.0537	$/kW
Street Light	1,512	43,690	kW	0.0346	$/kW
Sentinel Light	22	665	kW	0.0330	$/kW
USL	589	6,389,545	kWh	0.0001	$/kWh
Total	**375,350**				

Table 5: Group 2 – Other Income Rate Riders[3]

Rate Class	Annual Balance for Disposition ($)	Billing Determinant		Rate Rider – 5 year (2027-2031)	
Residential	154,153	172,854	# Customers	0.07	$/Customer
Residential Seasonal	2,789	1,552	# Customers	0.15	$/Customer
General Service <50 kW	30,152	376,280,208	kWh	0.0001	$/kWh
General Service 50 - 2,999 kW	41,112	3,298,053	kW	0.0125	$/kW
General Service 3,000 - 4,999 kW	4,219	634,867	kW	0.0066	$/kW
Large Use	6,324	700,460	kW	0.0090	$/kW
Street Light	2,918	43,690	kW	0.0668	$/kW
Sentinel Light	73	665	kW	0.1097	$/kW
USL	662	6,389,545	kWh	0.0001	$/kWh
Total	**242,403**				

[3] Numbers may not sum due to rounding.

41 **Table 6: Group 2 – Distribution Rate Riders[3]**

Rate Class	Annual Balance for Disposition ($)	Billing Determinant		Rate Rider-5 year (2027-2031)	
Residential	230,092	172,854	# Customers	0.11	$/Customer
Residential Seasonal	1,990	1,552	# Customers	0.11	$/Customer
General Service <50 kW	54,846	376,280,208	kWh	0.0001	$/kWh
General Service 50 - 2,999 kW	199,026	3,298,053	kW	0.0603	$/kW
General Service 3,000 - 4,999 kW	45,031	634,867	kW	0.0709	$/kW
Large Use	59,561	700,460	kW	0.0850	$/kW
Street Light	2,393	43,690	kW	0.0548	$/kW
Sentinel Light	35	665	kW	0.0521	$/kW
USL	931	6,389,545	kWh	0.0001	$/kWh
Total	**593,906**				

42 **Table 7: Cloud Computing Deferral Rate Riders[4,5]**

Rate Class	Annual Balance for Disposition ($)	Billing Determinant		Rate Rider-10 year (2027-2036)	
Residential	3,159,480	172,854	# Customers	1.52	$/Customer
Residential Seasonal	53,464	1,552	# Customers	2.87	$/Customer
General Service <50 kW	567,500	376,280,208	kWh	0.0015	$/kWh
General Service 50 - 2,999 kW	738,154	3,298,053	kW	0.2238	$/kW
General Service 3,000 - 4,999 kW	75,433	634,867	kW	0.1188	$/kW
Large Use	113,018	700,460	kW	0.1613	$/kW
Street Light	52,208	43,690	kW	1.1950	$/kW
Sentinel Light	1,327	665	kW	1.9949	$/kW
USL	14,448	6,389,545	kWh	0.0023	$/kWh
Total	**4,775,031**				

[4] Includes balances associated with the Dx NEXT implementation only. This rate rider is proposed for disposition over ten years. See Exhibit 9 - Tab 3 - Schedule 5, Section 7.
[5] Numbers may not sum due to rounding.

ESTABLISHMENT OF NEW DEFERRAL & VARIANCE ACCOUNTS

As noted in Exhibit 1 - Tab 5 - Schedule 1, Elexicon's proposed 2027 to 2031 Custom IR rate framework includes a series of utility-specific Deferral and Variance Accounts ("DVAs") to ensure appropriate incentives are in place to protect customers, balance risk, and support public policy priorities.

Elexicon is requesting the following new DVAs, discussed in further detail in Schedule 2.

1. **Earnings Sharing Mechanism Deferral Account ("ESMDA"):** Elexicon is requesting an asymmetrical deferral account, to the benefit of ratepayers, to share half of any over-earnings 100 bps above the OEB-approved regulated return on equity (ROE) on a cumulative basis over the 2027 to 2031 period. The ESMDA will provide incremental ratepayer protection by providing a benefit to ratepayers in the event Elexicon's financial performance materially exceeds forecast over the Custom IR term.
2. **Capital In-Service Addition Variance Account ("CISAVA"):** Elexicon is requesting approval of an asymmetrical variance account, to the benefit of ratepayers, to capture cumulative, capital-related revenue requirement variance relative to forecast for the majority of its planned in-service additions over the 2027 to 2031 period, subject to a 2% in-service addition deadband. The CISAVA will provide incremental ratepayer protection by ensuring ratepayers are credited for lower in-service additions in excess of 2% in the event that Elexicon does not materially deliver on its investment plan.
3. **Demand-Related Variance Account ("DRVA"):** Elexicon is proposing a symmetrical variance account to capture variances in capital-related revenue requirement relative to forecast for its Customer & Generation Connections, Externally Initiated Plant Relocation, and System Expansion in-service additions over the 2027 to 2031 period. Elexicon has an obligation to provide timely connections and access to its system, and to facilitate public infrastructure projects, including transit and roadworks, through relocation of assets. The DRVA will protect both ratepayers and the utility from variances due to in-service additions required to serve demand growth. The balanced nature of this account ensures that Elexicon has sufficient means to enable externally-driven customer growth within its service territory.
4. **Connection Cost Recovery Agreement Variance Account ("CCRAVA"):** Elexicon is proposing a symmetrical variance account to capture variances in capital-related revenue requirement relative to forecast for capital contributions and true-up payments paid to Hydro One

Networks Inc. over the 2027 to 2031 period. The CCRAVA provides protection to both ratepayers and the utility from variances in Hydro One payments, which are often the result of factors that are outside of the control of utility management.

5. **New Stations Deferral Account ("NSDA"):** Elexicon is proposing a deferral account to capture any incremental capital-related revenue requirement resulting from additional new station projects or station capacity enhancement not currently forecast in Elexicon's 2027 to 2031 capital plan. Station projects are material, non-discretionary investments which require substantial upfront capital deployment to serve mid-to-long term system needs. The NSDA will ensure the utility has the funding required to respond to station needs beyond those currently forecast should they arise.
6. **Non-Wires Solutions Deferral Account ("NWSDA"):** Elexicon is proposing a deferral account to capture any incremental revenue requirement resulting from implementation of Non-Wires Solutions ("NWS") over the 2027 to 2031 period. At present, Elexicon has not included any NWS expenditures in its 2027 to 2031 plan. However, opportunities for NWS may evolve over the rate term due to various factors such as acceleration of customer demand which may cause new capacity constraints, as additional DERs are connected to the system, and as the capabilities of the grid improve due to investments in grid modernization. The NWSDA ensures Elexicon has the opportunity to pursue NWS when and where it is in the best interest of ratepayers to do so.
7. **Large Load Revenue Variance Account ("LLRVA"):** Elexicon is proposing a symmetrical variance account to capture variances between forecast and actual distribution revenue over the 2027 to 2031 period collected from new large commercial and industrial customers. Elexicon is forecasting the connection of a significant number of New Large Load ("LL") Customers over the 2025 to 2031 period, with significant impacts on Elexicon's forecast billing determinants and distribution revenue. Though Elexicon has made all reasonable efforts to accurately forecast the number of New LL Customers, the magnitude of their billing determinants and the timing of their connection, there remains uncertainty with respect to forecast revenues from New LL Customers. The LLRVA protects both ratepayers and the utility, ensuring that both parties are held whole for variances in new large customer distribution revenue over the 2027 to 2031 period.

1. DRAFT ACCOUNTING ORDERS FOR NEW DEFERRAL AND VARIANCE ACCOUNTS

Draft Accounting Orders pertaining to each new DVA requested above are provided in Exhibit 9 - Tab 4 - Schedule 2.

DETAILS OF NEW DEFERRAL AND VARIANCE ACCOUNTS

This Schedule provides details of each new deferral and variance account being requested.

1. EARNINGS SHARING MECHANISM DEFERRAL ACCOUNT

1.1 Overview

Elexicon proposes to establish an earnings sharing mechanism ("ESM") as part of its 2027 to 2031 Custom IR (CIR) framework to provide incremental protection for customers during the plan term and balance between the interests of customers and shareholders. To implement an ESM, Elexicon proposes the establishment of an Earnings Sharing Mechanism Deferral Account ("ESMDA") to capture incremental earnings to be shared with ratepayers, if applicable.

Elexicon proposes an ESM that is consistent with others approved by the OEB; specifically, the ESM approved by the OEB in EB-2018-0165[1] and EB-2023-0195. [2] The proposed ESM will be asymmetrical; sharing 50% of any earnings more than 100bps above OEB approved ROE with ratepayers. Earnings beyond the OEB's approved ROE in this proceeding will be calculated on a cumulative basis over the 2027 to 2031 period. Elexicon proposes to dispose of any balances in the ESMDA in a future proceeding.

A draft accounting order for the ESMDA has been included as section 1.5 to this Schedule.

1.2 Purpose

As described in Exhibit 1 - Tab 5 - Schedule 1, in preparing Elexicon's proposed CIR rate framework for the 2027 to 2031 period the utility prioritized appropriately balancing risk and uncertainty between customers and the utility. The proposed ESM will play an important role in achieving this balance, by protecting customers in a scenario in which Elexicon earns more than 100bps above the OEB-approved ROE on a cumulative 5-year basis. In this scenario, ratepayers will receive credit payments on disposition of the ESMDA.

[1] Ontario Energy Board, EB-2018-0165, "Decision and Order", (December 19, 2019)
[2] Ontario Energy Board, EB-2023-0195, "Toronto Hydro-Electric System Limited 2025-2029 Custom Rate Application for Electricity Distribution Rates and Charges", Exhibit 9 - Tab 1 - Schedule 1, Pages 33-35, (November 17, 2023)

1.3 Implementation

During the Custom IR term (2027-2031), Elexicon will calculate its cumulative achieved ROE based on the following methodology:

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

Carrying charges will apply to the balances held within the ESMDA at the OEB's prescribed rates, calculated monthly. The balance in the ESMDA will be brought forward for disposition in a future proceeding.

1.4 Eligibility Criteria

Elexicon Energy confirms that the proposed ESM Deferral Account (ESMDA) meets the OEB's established eligibility criteria for the establishment of a new deferral and variance account, namely causation, materiality, and prudence, as set out in the OEB's *Filing Requirements for Electricity Distribution Rate Applications*.

Causation: The amounts to be recorded in the ESMDA will be clearly outside of the base upon which rates were derived, as any balances will relate to earnings which are in excess of those approved in rates in this proceeding. As such, all entries will have a direct and exclusive causal relationship to the operation of the approved ESM and will not duplicate amounts included in base rates or other approved accounts.

Materiality: In accordance with the OEB's materiality threshold policy, the balance recorded in the account will be considered for disposition only if it is expected to exceed the OEB-defined materiality threshold and is of a magnitude that could have a significant influence on the operation of the distributor.

Prudence: The ESMDA provides a transparent and cost-effective means of ensuring that customers receive a share of earnings above the 100-basis-point threshold without the need for additional mechanisms or complex true-ups. The final determination of prudence will be made by the OEB at the time of disposition, in accordance with standard regulatory practice.

1.5 Draft Accounting Order

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

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

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

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

Journal Entries:

DR: 4080	Distribution Services Revenue
CR: 1508	Sub-Account ESMDA
To record amounts in the ESMDA	
DR: 6035	Other Interest Expense
CR: 1508	Sub-Account ESMDA Carrying Charges
To record carrying charges in Sub-Account ESMDA	

2. CAPITAL-IN-SERVICE ADDITIONS VARIANCE ACCOUNT

2.1 Overview

As a ratepayer protection mechanism, Elexicon proposes to establish an asymmetrical Capital-In-Service Additions Variance Account ("CISAVA") to track annual variances between 2027 to 2031 forecast and actual capital related revenue requirement ("CRRR"), consisting of depreciation expense including derecognition, deemed interest, return on equity, and PILS. These annual variances will be aggregated and any cumulative credit balance (in favour of rate payers) will be disposed in Elexicon's next rebasing application, subject to a proposed in-service additions deadband of 2%. This account is similar to mechanisms approved in prior OEB applications and provides customers with protection in the event that Elexicon cannot materially deliver on its planned capital investments.[3] The CISAVA will apply to net in-service additions across numerous capital programs as outlined in Table 1 of this evidence. For clarity, the CISAVA will not apply to investments that are tracked in other proposed accounts described in this evidence, namely:

- **Demand-Related Variance Account ("DRVA"):** Applicable to Customer & Generation Connections, Externally Initiated Plant Relocations, and System Expansions programs.
- **New Stations Deferral Account ("NSDA"):** Applicable to new transformer or distribution station projects required over the 2027 to 2031 period which are not included within Elexicon's Distribution System Plan.

[3] "Ontario Energy Board", EB-2017-0049, (December 1, 2017) and EB-2021-0110 (November 29, 2022).

- **Connection Cost Recovery Agreement Variance Account ("CCRAVA"):** Variances in planned or unplanned capital contributions or true-up payments owed to Hydro One Networks Inc.

A draft accounting order for the CISAVA has been included as section 2.5 to this Schedule.

2.2 Purpose

As described in Exhibit 1 - Tab 5 - Schedule 1, Elexicon has proposed a Custom Incentive Regulation ("CIR") rate-setting framework over the 2027 to 2031 rate term. This rate-setting framework is necessary in order to enable Elexicon to meet the growing needs of its customers and system, while continuing to provide safe and reliable electricity service through investment in required system renewal and grid modernization, among other outcomes.

Since the implementation of the OEB's Renewed Regulatory Framework ("RRF"), CIR applications have included various mechanisms to balance the funding provided for under CIR with appropriate ratepayer protection. One common mechanism is the establishment of an asymmetric variance account consistent with Elexicon's CISAVA.

The purpose of the CISAVA is to ensure that customers are held whole if Elexicon does not materially deliver on its forecast in-service additions over the rate term. Elexicon is confident the capital plan proposed in its Distribution System Plan prudently responds to the needs of its customers. At the same time, the utility operates in a dynamic environment in which the timing of required investments can vary as a result of internal and external factors, such as variations in the lead-times and availability of required equipment, and variations in the timing of growth in customer demand. By capturing these variances in CRRR on a cumulative basis over 5 years, Elexicon maintains the flexibility to deploy its capital plan in a prudent manner that responds to evolving circumstances, while maintaining funding within its original OEB-approved envelope.

To ensure that the utility retains some flexibility in the execution of its capital program and that the utility retains an incentive to find capital-related productivity savings over the rate term, Elexicon proposes a 2% deadband against the total In-service additions that forms the baseline of this account. Absent the proposed deadband, incentives for capital related productivity savings would be reduced as any savings would be immediately returned to customers. A similar deadband has been approved in prior OEB proceedings.

This proposal is discussed in further detail in the implementation section below.

2.3 Implementation

The proposed CISAVA tracks annual CRRR variances over the 2027 to 2031 period resulting from difference in actual versus forecasted annual in-service additions in the following programs:

- Metering & AMI 2.0;
- Substation Renewal;
- Underground System Renewal;
- Overhead System Renewal;
- Reactive Capital;
- Substation Growth;
- Grid Enhancements;
- Voltage & System Conversion;
- Facilities Management;
- Fleet;
- IT Systems;
- Equipment; and,
- OT Systems.

The forecast in-service additions for the programs above are shown in Table 1 below.

Table 1: Pro Subject to the CISAVA

	2027	2028	2029	2030	2031	Total
Net In-Service Additions Subject to CISAVA ($M)	41.1	95.6	115.1	105.5	230.4	587.7

Elexicon will track variances in CRRR each year and will only record a balance in CISAVA when the cumulative credit balance (in services additions less than forecast) exceeds the 2% in-service addition deadband calculated in Table 2 below:

Table 2: Calculation of CISAVA Deadband

Total Forecast In-Service Additions Subject to CISAVA ($M)	2% Deadband ($M)
587.7	11.8

The inclusion of a deadband in the CISAVA provides a key incentive to Elexicon to ensure that utility leadership and functional staff remain focused not only on the delivery of outcomes in the completion of the capital plan, but the maximization of productivity in doing so.

Elexicon will dispose of the CRRR associated with in-service additions in excess of the deadband to ratepayers in a future application. Carrying charges will apply to balances in the CISAVA at the OEB's prescribed interest rate for DVAs.

2.4 Eligibility Criteria

This section explains how the proposed CISAVA meets the OEB's three criteria of causation, materiality and prudence for establishing new deferral and variance accounts.

Causation: The CISAVA has been designed explicitly for the purpose of crediting certain amounts to customers under a scenario where Elexicon does not materially deliver on the forecast in-service additions underpinning distribution rates. These credits are outside of the base upon which rates were derived.

Materiality: Although Elexicon's plans to fully deliver its planned expenditures in its DSP, this account has been proposed to protect customers in circumstances where the utility is unable to materially execute its plans. To achieve this purpose, Elexicon plans to track annual CRRR variances exceeding the in-service addition deadband from 2027 to 2031 regardless of whether the amounts meet or exceed the utility's materiality threshold. As the CISAVA will function on a cumulative basis, the sum of all entries recorded may exceed Elexicon's materiality threshold over the rate term.

Prudence: The CISAVA provides for the return of unused CRRR funds to ratepayers under a scenario in which Elexicon's actual CRRR proves to be less than forecast on a cumulative five-year basis, subject to a 2% in-service addition deadband. Under this scenario, the return of such funds to ratepayers is a presumptively prudent course of action to protect ratepayers' interest.

2.5 Draft Accounting Order

Elexicon shall establish the new deferral account, "Capital In-Service Additions Variance Account" (CISAVA), effective January 1, 2027. The purpose of this account is to record variances in capital related revenue requirement ("CRRR") resulting from variances between forecast and actual in-service additions associated with the capital programs listed below:

- Metering & AMI 2.0;
- Substation Renewal;
- Underground System Renewal;
- Overhead System Renewal;
- Reactive Capital;
- Substation Growth;
- Grid Enhancements;
- Voltage & System Conversion;
- Facilities Management;
- Fleet;
- IT Systems;
- Equipment; and,
- OT Systems.

The CISAVA will function on an asymmetrical basis to the benefit of ratepayers, and only cumulative credit balances will be recorded over the term, subject to a 2% in-service addition deadband.

Carrying charges will apply at OEB-prescribed rates. Elexicon will bring forward the CISAVA for disposition at its next cost of service application, or as otherwise directed by the OEB.

Journal Entries:

DR: 4080	Distribution Services Revenue
CR: 1508	Sub Account CISAVA
To record variances in CRRR over 2% in-service addition deadband resulting from cumulative variances in actual versus forecasted in-service additions, within the capital programs subject to the CISAVA	
DR: 6035	Other Interest Expense
CR: 1508	Sub Account CISAVA Carrying Charges
To record carrying charges in subaccount CISAVA	

3. DEMAND-RELATED VARIANCE ACCOUNT

3.1 Overview

Elexicon proposes to establish a customer Demand-Related Variance Account ("DRVA") applicable to in-service additions over the 2027 to 2031 period in the Customer & Generation Connections, Externally Initiated Plant Relocation ("EIPR") and System Expansion capital programs (together referred to as "Demand-Related Capital Programs"). The proposed DRVA will symmetrically capture cumulative variances between forecast and actual Capital Related Revenue Requirement ("CRRR") which is composed of: depreciation expense including derecognition, deemed interest, return on equity, and PILs. Elexicon intends to dispose of the balances in the DRVA in its next rebasing application.

A draft accounting order for the DRVA has been included as section 3.5 to this Schedule.

3.2 Purpose

Elexicon has an obligation to provide timely connections and access to its system, and to facilitate public infrastructure projects, including transit and roadworks, through relocation of assets. This commitment has taken renewed precedence in recent years, as the Government of Ontario expresses a clear priority for electricity utilities to facilitate new residential growth and economic growth; including proposals to revise the Ontario Energy Board Act, 1998 to include the facilitation of economic growth as a formal objective of the regulator.

In light of these obligations and Elexicon's obligations under the Distribution System Code, the capital expenditures required for the Demand-Related Capital Programs are mandatory investments and driven entirely by external factors. The forecasted costs to deliver this work are influenced by policy factors, such as provincial and municipal housing targets, as well as economic circumstances such as growth, inflation, and unemployment; all of which are beyond the utility's control.

As described throughout this application, Elexicon is forecasting significant growth in both its customer count and peak system demand. This growth in customers and demand is well substantiated by historical data, including but not limited to:

- Since 2020, Elexicon's low voltage service connection requests have increased 32%. Elexicon has seen an increase in annual large customer connection requests from 15 in 2022 to 36 in 2024;[4]
- An increase of nearly 11,000 customers/connections from 2020 to 2024, representing an increase of 6.8%; and,
- An increase of 182.8 GWh served annually from 2020 to 2024, representing an increase of 5.3%.

Elexicon is forecasting continued significant growth in its service territory over the period since 2024 actuals, most notably:

- An increase of 28,684 customers/connections from 2024 to 2031, representing an increase of 12.7%; and,
- An increase of 844.2 GWh served annually from 2024 to 2031, representing an increase of 23.1%.

Public policy changes, changing economic factors, consumer housing demand, new data centre customers, and new regulatory tools all have the potential to push Demand-Related Capital Program expenditures beyond the levels assumed in Elexicon's DSP and this application. The same dynamic is true of Distributed Energy Resources ("DERs"), which have also been prioritized by the Minister of Energy.[5]

In this context, economic growth requires customer connections, and customer connections require adequate funding. Elexicon has made all reasonable efforts to produce an accurate forecast of new connections over the 2027 to 2031 term, and is forecasting substantial growth. Incremental growth beyond these amounts must be funded to realize the objectives articulated by the Government of Ontario and for Elexicon to meet its legislative and regulatory obligations to new customers.

The costs for connections and system expansions can vary from customer to customer based on local system conditions and changing policy factors (e.g. EV incentives, retrofit programs, macroeconomic factors such as mortgage rates, tariffs, etc.) and their impact on growth can be difficult to accurately forecast in the longer term (5-7 years). Elexicon has presented robust evidence in the Distribution

[4] Exhibit 2B - Tab 4 - Schedule 3 - Appendix B
[5] Minister of Energy and Electrification, "Letter of Direction to Ontario Energy Board", Pages 6-7, (December 19, 2024)

System Plan (Exhibit 2B) and Exhibit 3 highlighting its expectations and plans for 2027 to 2031, however local circumstances may vary the specific investments required and the balance of cost responsibility in a given year; even where the overall portfolio of growth in demand is in line with expectations.

Each of the Demand-Related Capital Programs are paramount to continued delivery on the mandatory obligations outlined above, as further described below:

- **Customer & Generation Connections:** The Province of Ontario has placed considerable focus on the expansion of new housing to address housing affordability in the Province; setting a target of building 1.5 million new units by 2031.[6] The Minister of Energy further directed the OEB to investigate the cost responsibility framework[7] for new electricity connections, which subsequently evolved into the OEB's Capacity Allocation Model ("CAM") taking effect in September of 2025.[8] As a point of clarity, Elexicon's DSP and capital plan were largely developed before finalization of the CAM, and no specific projects have been forecast as CAM projects. To the degree existing projects are deemed to be CAM-eligible, or new projects emerge which are subject to the CAM, all-else-equal Elexicon anticipates greater net capital additions than forecast over 2027-2031. The DRVA will absorb variances for any projects which would be subject to the rules of the CAM. By way of example, Elexicon sees the conditions for a potential CAM evolving in parts of its service territory where there are plans for multi-phase long term residential developments such as the Northeast Pickering and North Whitby areas of its service territory. It is currently unclear as to the degree this impacts portions of Elexicon's capital anticipated to be funded by capital contribution as some portions may need to be funded by Elexicon to facilitate the capacity commitment elements of the OEB's CAM Policy. The DRVA will facilitate changes of this nature in a manner that does not require Elexicon to request additional DVAs, or bring forward a standalone application to the OEB as a result of CAM projects. See Exhibit 2B – Tab 4 – Schedule 3 – Appendix B for more information on Customer & Generation Connections.

[6] Municipal Affairs and Housing, "Ontario Making Progress on Work to Build at Least 1.5 Million Homes", https://news.ontario.ca/en/release/1003400/ontario-making-progress-on-work-to-build-at-least-15-million-homes
[7] Minister of Energy and Electrification, "Letter of Direction to Ontario Energy Board", (December 19, 2024), page 4
[8] Ontario Energy Board, EB-2024-0092, "Notice of Amendments to the Distribution System Code: Amendments to Establish a Capacity Allocation Model", (June 16, 2025)

- **EIPR:** EIPR expenditures are fundamentally outside of the control of utility management; they are often driven by other government planning priorities such as transit and transportation. Facilitating economic growth includes the movement and build-out of civil and other infrastructure, which often requires the movement, alteration or expansion of electricity distribution assets. An inability to fund these needs could result in Elexicon acting as a bottleneck to important economic and civil activity, or result in Elexicon being required to unduly reduce needed expenditures on other priorities. Neither of these are acceptable outcomes. Elexicon notes DVAs relating to EIPR have been approved by the OEB on numerous occasions, in recognition of the realities described above. See Exhibit 2B – Tab 4 – Schedule 3 – Appendix A for more information on Externally Initiated Plant Relocations.
- **System Expansion:** System Expansion investments are a necessary corollary to Connections, as increasing customer connections will require upstream increases to electricity distribution infrastructure. In the same manner as Connections, System Expansion investments are a required under the DSC and are a precursor to facilitating the connection of new housing and economic growth. Lacking funding for System Expansions, Elexicon cannot support new customer connections, or will be required to unduly reduce needed expenditures on other priorities. In light of the period of significant growth forecast, Elexicon requires a DRVA for System Expansion investments above forecast in the event growth surpasses forecasts. Similar to Customer and Generation Connections, the implementation of the OEB's CAM policy stands to influence System Expansion capital investment requirements, as investments which may have otherwise been funded by capital contribution may in part or in whole need to be funded by the utility until the time of customer connection in future years. As noted, the DRVA will provide a solution to this new dynamic and also account for the impacts of changes in the OEB's policy for customer connection and revenue horizons. See Exhibit 2B – Tab 4 – Schedule 3 – Appendix C for more information on System Expansion investments.

In order to ensure Elexicon can support the growth in the communities that it serves, Elexicon is requesting a symmetrical variance account to ensure it can carry out its mandatory, externally-driven, customer-related investments without impacting other areas of its work program and risking continued deterioration of reliability performance within its service territory. Given the symmetrical nature of the account, should growth, relocations, and connections not materialize as forecast, funds will not be repurposed to other programs, but will be returned to ratepayers in the following rebasing application. The balanced nature of this account ensures that Elexicon has appropriate incentives to enable customer-driven growth within its service territory.

3.3 Implementation

The account will credit or debit ratepayers for variances between actual and forecast revenue requirement of Demand-Related Capital Programs on a cumulative basis over the 2027 to 2031 period. The in-service additions listed in Table 3 below will be subject to the DRVA:

Table 3: In-Service Additions Subject to the DRVA

	2027	2028	2029	2030	2031	Total
Net In-Service Additions Subject to DRVA ($M)	25.2	26.8	22.1	22.4	24.0	120.5

Variances in CRRR will be recorded as debits (for in-service additions in excess of forecast) or credits (for in-service additions less than forecast) in the DRVA.

Elexicon will record entries to the DRVA over the 2027 to 2031 period in accordance with the methodology described above. The cumulative sum of these amounts will make up the principal balance in the DRVA, for disposition in a future application.

Carrying charges will apply to balances in the DRVA, at the OEB’s prescribed interest rate for DVAs.

3.4 Eligibility Criteria

This section explains how the proposed DRVA meets the OEB’s three criteria of causation, materiality and prudence for establishing new deferral and variance accounts.

Causation: Any variance from Elexicon’s forecast capital plan and CRRR (including variances specific to Demand-Related Capital Programs) are inherently outside the basis on which rates are being set.

Materiality: Between 2020 and 2024, Elexicon’s net capital expenditures for demand related work ranged between $5.8M and $21.7M; a material variance of 274%. In light of the significant demand-related growth forecast by Elexicon over the 2027 to 2031 period and the significant increase in the volume of work experienced from 2019 to 2025, cumulative variances in DRVA over the 2027 to 2031 term could be material and have a significant impact on the operations of the utility and ratepayers. A 10% positive variance in 2027 to 2031 net in-service additions for example, would result in incremental capital needs of nearly $12.0 million. Similarly, to the degree negative variances emerge in demand-related capital programs these amounts could represent significant benefits for ratepayers which would be credited back through the DRVA.

Prudence: The Demand-Related Capital Programs relate to mandatory obligations Elexicon has under legislation and through OEB codes to customers and third-parties. The OEB will assess the prudence of any amounts entered into the DRVA on the basis of actuals when the account balance is brought forward for disposition.

3.5 Draft Accounting Order

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

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

The DRVA will function on a symmetrical basis. If actual CRRR associated with the Demand Related Capital Programs above is less than forecast, the difference will be credited to the DRVA for future return to rate payers; if greater than forecast, the difference will be debited to the DRVA for future recovery.

Carrying charges will apply at OEB-prescribed rates. Elexicon will bring forward the DRVA for disposition in a future application, or as otherwise directed by the OEB.

Journal Entries:

DR/CR: 1508	Sub-Account DRVA
CR/DR: 4080	Distribution Services Revenue
To record variances in CRRR resulting from variances between actual and forecasted in-service additions within the capital programs which are subject to the DRVA	
DR/CR: 1508	Sub-Account DRVA Carrying Charges
CR/DR: 6035	Other Interest Expense
To record carrying charges in subaccount DRVA	

4. CONNECTION COST RECOVERY AGREEMENT VARIANCE ACCOUNT

4.1 Overview

Elexicon requests OEB approval to establish a Connection Cost Recovery Agreement Variance Account ("CCRAVA") applicable to variances in capital contributions and true-up payments made to Hydro One Networks Inc. ("HONI") over the 2027 to 2031 period per the terms of Connection Cost Recovery Agreements ("CCRA"). The proposed CCRAVA will symmetrically capture variances between the forecast and actual capital-related revenue requirement ("CRRR") (consisting of amortization expense, deemed interest, return on equity, and PILs) associated with CCRA-related payment variances on a cumulative basis over five years. Elexicon proposes to dispose of the balance in this account at the next rebasing application.

A draft accounting order for the CCRAVA has been included as section 4.5 to this schedule.

4.2 Purpose

Elexicon has executed, and is anticipating further execution of, CCRAs with HONI to establish the terms for Elexicon's sharing in the cost of transmission assets serving Elexicon and its customers. HONI CCRAs are the primary method through which HONI and transmission-connected customers (including electricity distributors) outline the capital contributions owed to HONI for the construction and use of transmission assets dedicated in whole or in part to the connecting customer. Beyond establishing the initial capital contribution amount, among other matters, HONI CCRAs include periodic true-up payment opportunities at scheduled milestones subsequent to the in-service date of the transmission assets in question; specifically, five years from the in-service date, and 10 years from the in-service date. To the degree assumptions relied upon in the initial calculation of the CCRA capital contribution have changed since the original execution and payment date, the true-up payments serve to effectively adjust the total capital contribution amount and require payment of any difference between the original capital contribution paid and the recalculated amount on the scheduled true-up date. These true-up payments can account for differences in the timing and amount of load and revenue on the transmission asset, or for variances in the capital costs of the asset; both of which are outside of Elexicon's control.

The CCRAVA will capture variances driven by a) initial capital contribution payments to HONI which vary from forecasts included in Elexicon's capital plan, and b) variances in true-up payments paid to HONI relative to Elexicon's capital plan.

Elexicon is scheduled to be assessed for a 5-year true-up relating to its Seaton TS in 2028, and an actualization true-up relating to its Belleville TS DESN 2 in 2027, as well as a 5-year true-up for this station in 2031. While at this time, Elexicon's forecast does not anticipate financial true-up payments, this may change based on factors that are outside of Elexicon's control. This may include variances in the capital cost of assets constructed by HONI, or variances in existing customer demand, or variances in the timing or quantity of new customer demand. As no true-up payments are currently included in Elexicon's forecast in the 2027 to 2031 forecast period, any entries into the CCRAVA resulting from true-up payments will be based on the full value of any true-up payments made.

With respect to capital contributions paid to HONI, Elexicon has included a capital contribution to Hydro One in 2031 related to the transmission lines for the planned GTA East transmission station Elexicon will be constructing. As such, CRRR variances associated with Hydro One capital contributions will be calculated relative to the planned cumulative contributions of $22.1 million by 2031.

Elexicon notes the OEB has in several instances approved variance accounts of a similar nature for CCRA true-up payments in recognition of the reality that payments of this nature are outside the control of distributors.[9] CCRA true-up payments and capital contributions are driven by changes to the capital cost of HONI construction of assets or changes in economic factors which can increase or slow the level of customer demand relative to original forecasts. Shifts in customer demand impacts the share of costs that must be funded by Elexicon in the form of a capital contribution relative to the amount that is funded through transmission rates. Further, Transmission investments underpinning capital contributions to HONI from distributors are the subject of Integrated Regional Resource Planning ("IRRP") led by the IESO, further limiting distribution utilities' ability to control the nature and timing of such investments, and thus their financial consequences as well. The IRRP regions applicable to Elexicon's service territory include GTA East, Peterborough-Kingston, and South Georgian Bay/Muskoka. The former two regions began the IRRP process in Q2 of 2025, and will not have completed this proceed until Q4 of 2026, while the South Georgian Bay/Muskoka IRRP process is anticipated to begin within the next 6 months. As such, the timing of IRRP processes affecting Elexicon could not be aligned with this application, reinforcing the need for approval of the CCRAVA.

[9] For example, Ontario Energy Board, EB-2019-0261, Hydro Ottawa Ltd., "CCRA Payments Deferral Account", (November 19, 2020)

In order to avoid reallocation from other critical investments in its capital program, Elexicon is requesting a symmetrical variance account to capture variances in CRRR driven by differences between forecast and actual capital contributions to HONI and CCRA true-up payments. Given the symmetrical nature of the account, should capital contributions be less than currently forecast, funds will not be repurposed to other programs, but will be returned to ratepayers in the following rebasing period. Conversely, to the degree true-up payments arise, new capital contribution requirements arise, or the forecast 2031 capital contribution requirement is greater than anticipated, the symmetrical nature of the account will ensure Elexicon is not required to divert capital investment from other critical areas such as customer growth and system renewal risking not meeting customer demand or negatively impacting reliability outcomes in order to fund mandatory HONI payments which are outside of its control.

4.3 Implementation

The purpose of the CCRAVA is to credit or debit ratepayers for variances between forecast and actual CRRR associated with CCRA true-up payments and capital contributions over the 2027 to 2031 period. The only planned in-service addition within Elexicon's plan which will be subject to the CCRAVA is the previously noted capital contributions of $22.1 million by 2031 relating to transmission lines to connect to the planned GTA East station. Any other HONI capital contributions or true-up payments will capture in-service addition variances relative to a value of $0.

Elexicon will calculate CRRR variances in relation to CCRA, debit variances (for in-service additions in excess of forecast) or credit variances (for in-service additions less than forecast) will be recorded in CCRAVA.

Elexicon will record entries to the CCRAVA over the 2027 to 2031 period in accordance with the methodology described above. The cumulative sum of these amounts will make up the principal balance in the CCRAVA, for disposition in a future application.

Carrying charges will apply to balances at the OEB's prescribed interest rate for DVAs.

4.4 Eligibility Criteria

The following sub-sections explain how the proposed CCRAVA meets the OEB's three criteria of causation, materiality and prudence for establishing new deferral and variance accounts.

Causation: Any true-up payments owed to HONI over the 2027 to 2031 term, or any capital contributions owed to HONI which vary from those included within Elexicon's plan as articulated above, are inherently outside of the basis on which rates are being set.

Materiality: Due to the expense associated with transmission assets, CCRA true-up amounts can be material. In this application period ending 2025, Elexicon made payments of $4.06M for the Whitby TS 15yr milestone true up and $2.35M for the actualization true up for Seaton TS. Variation in HONI capital contributions or true-up payments stand to have significant impacts on the operations of the utility and ratepayers. The relief requested will ensure that variances in HONI payments do not place undue pressure on other pressing needs at Elexicon such as system renewal, grid modernization, and customer growth.

Prudence: As described in this schedule, payment of CCRA true-up amounts are mandatory to Elexicon as a matter of contractual and regulatory obligation, and their quantum is outside of the control of utility management. Elexicon expects the OEB will be best positioned to assess the prudence of amounts entered into the CCRAVA on the basis of actuals when the account balance is brought forward for disposition.

4.5 Draft Accounting Order

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

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

Carrying charges will apply using the OEB-prescribed rates. The account will be brought forward for disposition at Elexicon's next rebasing or as otherwise directed by the OEB.

Journal Entries:

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

5. NEW STATIONS DEFERRAL ACCOUNT

5.1 Overview

Elexicon proposes to establish a New Stations Deferral Account ("NSDA") to record the capital-related revenue requirement ("CRRR") associated with any new station project not currently incorporated into the Stations Growth program of Elexicon's Distribution System Plan ("New Stations"). The NSDA would apply to any new Station built and owned by Elexicon or any existing station for which additional capacity was added. Elexicon proposes to dispose of any balance in this account in its next rebasing application.

A draft accounting order for the NSDA has been included as section 5.5 to this Schedule.

5.2 Purpose

As described throughout this application, and in particular in Exhibit 3 and Exhibit 2B - Tab 3 - Schedule 1, Elexicon is forecasting significant growth in both its customer count and peak system demand. Despite the scale of growth forecasts, increases to load demand could exceed these forecasts in the 2027 to 2031 period[10] and cause localized capacity constraints not forecast in this application. Factors that could cause these situations include, but are not limited to: (i) necessary investments arising out of a Regional Planning process, (ii) a high-concentration of new load in a localized area, and (iii) changes

[10] As indicated in Exhibit 2B - Tab 3 - Schedule 1 – Section 1.3, Elexicon's peak forecast considered multiple planning scenarios some of which are greater than the planning forecast in this application.

to policy factors which drive increased economic development. Elexicon has an obligation to provide timely connections and access to its system and ensure it is planning for general load growth.

With respect to regional planning, Elexicon is currently in the early stages of Integrated Regional Resource Planning ("IRRP") for the GTA East, Peterborough-Kingston and South Georgian Bay/Muskoka regions. The former two regions began the IRRP process in Q2 of 2025, and will not have completed this process until Q4 of 2026, while the South Georgian Bay/Muskoka IRRP process is anticipated to begin within the next 6 months. Just as the IRRP process could affect capital contributions owed to Hydro One Networks Inc., as described in Exhibit 9 - Tab 2 - Schedule 6, they could also impact the need for incremental station investments by Elexicon.

As shown in Exhibit 2B - Tab 4 - Schedule 3 - A2 Customer and Generation Connections, Elexicon has seen a doubling in the number of connection inquiries and requests greater than 1MW from 2022 through 2024 and a 500% increase in the load associated with these requests.[11] While demand for customer connections is increasing, 76% of municipal substations in Elexicon's service territory do not have sufficient capacity to accommodate more than 1MW in additional load.[12] In the event that multiple large customers materialize in a localized area (e.g. Pickering Innovation Corridor[13]) or a single intense load materializes such as a data centre, Elexicon may need to build a new station or increase capacity at an existing station to meet these requirements. This risk is particularly acute for intense localized large loads such as data centres. The large, one-time, and geographically focused nature of this kind of new load increases the potential for currently unanticipated capacity constraints at the transformer station level of Elexicon's system.

Finally, economic and housing development has been a focus area of government policy at all levels (i.e. municipal, provincial and federal). The impacts of recent policy changes have already been felt by Elexicon through the acceleration of connection requests and continued customer growth in recent years. Further, unanticipated policy change could incentivize greater development or a higher adoption in EVs and electrical heating load above what is included in Elexicon's forecast which results in impacts downstream in the distribution network and trigger the need for additional stations capacity.

[11] Exhibit 2B - Tab 4 - Schedule 3 - A2 Customer and Generation Connections - Table 8 and 9 - p.17
[12] Exhibit 2B - Tab 3 - Schedule 2 (5.3.2.2.3 p.79)
[13] Exhibit 2B - Tab 4 - Schedule 3 - A3-System Expansion, p.12

Elexicon has currently forecast the need for seven transformer station projects over the 2027 to 2031 term, as listed below. These projects will explicitly not be subject to the NSDA. Rather, the NSDA will capture any incremental Elexicon station investments not currently within Elexicon's plan, and listed below:

- **Uxbridge North MS**: New station with single 10 MVA transformer. The project starts in 2026 with energization targeted for 2028.
- **Foster MS**: New station with a single 25 MVA transformer. The project starts in 2025 with energization targeted for 2028.
- **Mobile Station**: Mobile station with a 25MVA transformer having primary voltage at 44kV and dual secondary voltages of 13.8kV and 4.16kV. The project starts in 2027 with energization targeted for 2029.
- **Port Hope MS**: New station with a single 25 MVA transformer. The project starts in 2027 with energization target for 2029.
- **Bradshaw MS**: Increasing capacity at existing station to 25 MVA. The project starts in 2029 with energization targeted for 2031.
- **Winchester West MS**: New station with two 25 MVA transformers. The project starts in 2025 with completion targeted for 2031.
- **Transformer Station in North Whitby (GTA East)**: New station with two 125 MVA transformers. The project starts in 2025 with completion targeted for 2031.

Elexicon has included the capital-related revenue requirement ("CRRR") associated with these investments in its proposed distribution rates.

Station projects represent significant material investments for a utility of Elexicon's size, and cannot be accommodated without commensurate funding in rates. This was the case for Elexicon's Seaton TS project which was the subject of Incremental Capital Module ("ICM") approval and placed into service in 2022[14]. As a Custom IR applicant, the ICM construct is not available to Elexicon as a relief valve in the event the need for a new transformer station arises. Lacking this tool, Elexicon requires the NSDA to capture the incremental capital-related revenue requirement ("CRRR") associated with any new station project. The capital program under which new station investments would be recorded, the System Service program Substation Growth, is not subject to the proposed Demand-Related Variance

[14] Ontario Energy Board, EB-2021-0015, "Decision and Order", (December 16, 2021)

Account (Exhibit 9 - Tab 4 - Schedule 5), and the proposed Hydro One Connection Cost Recovery Agreement Variance Account (Exhibit 9 - Tab 4 - Schedule 6) does not incorporate variances in Elexicon owned station assets. Elexicon has proposed the NSDA as a separate and distinct account such that these large, discrete projects can be transparently tracked and recorded apart from other variances which are subject to DVAs.

5.3 Implementation

In order to determine entries to the NSDA, Elexicon will calculate the CRRR resulting from the in-service additions, net of capital contributions, of any new stations projects required over the 2027 to 2031 rate term, beyond the seven projects listed above in this Schedule. The resulting CRRR values for each year, if and when applicable, will form debit entries to the NSDA over the 2027 to 2031 period. The sum of annual debit entries will make up the principal balance in the NSDA, for disposition in a future application.

Carrying charges will apply to balances entered into the NSDA at the OEB's prescribed interest rate for DVAs.

5.4 Eligibility Criteria

This section explains how the proposed NSDA meets the OEB's three criteria of causation, materiality and prudence for establishing new deferral and variance accounts.

Causation: As this is a deferral account and will only apply to projects not already included in Elexicon's Substation Growth program, any amounts recorded in the NSDA are distinctly incremental to the in-service addition forecast base upon which rates are derived for the 2027 to 2031 rate term.

Materiality: As noted above, transformer station projects are significant, highly material investments for Elexicon costing tens of millions in capital expenditures. For example, the total cost of the recent MS required for Winchester West is forecast to cost $13.7 million gross and $8.4 million net, while Seaton TS was approximately $42M. To the degree New Stations must be built over the 2027-2031, the costs associated with these investments would likely be material and would have a significant impact on the operations of the utility and ratepayers.

Prudence: Any investments in New Stations that Elexicon would make over the 2027 to 2031 would be prudent and necessary to meet the utility's obligation to serve its customers and ensure that the system is capable of serving future load growth. Further, to the degree the investment in question were a transmission-connected transformer station, extensive planning coordination with the Independent Electricity System Operator ("IESO") and HONI as part of regional planning processes would underpin the project needs assessments. In addition, the OEB would have a full opportunity to evaluate the prudence of these investments upon disposition.

5.5 Draft Accounting Order

Elexicon shall establish the new deferral account, "New Stations Deferral Account" (NSDA), effective January 1, 2027. The NSDA will record incremental capital-related revenue requirement ("CRRR") associated with any new station built and owned by Elexicon or any existing station for which additional capacity was added and not included in Elexicon's 2027 to 2031 Distribution System Plan underpinning distribution rates for 2027 to 2031 period.

Balances will be recorded as debits to the NSDA for future recovery by Elexicon and tracked cumulatively from 2027 to 2031.

Carrying charges will apply at OEB-prescribed rates. Elexicon will bring forward the NSDA for disposition at its next cost of service application, or as otherwise directed by the OEB.

Journal Entries:

DR: 1508	Sub-Account NSDA
CR: 4080	Distribution Services Revenue
To record CRRR related to new stations or any existing station for which additional capacity was added in NSDA	
DR: 1508	Sub-Account NSDA Carrying Charges
CR: 6035	Other Interest Expense
To record carrying charges in NSDA	

6. NON-WIRES SOLUTIONS DEFERRAL ACCOUNT

6.1 Overview

As discussed in its DSP (Exhibit 2B - Tab 3 - Schedule 5), Elexicon is evolving its planning capabilities and processes to consider and evaluate the availability of non-wires solutions[15] ("NWS") in accordance with the OEB's expectations. Given the fundamental shift NWS will have on system planning, the OEB's guidelines recognize and contemplate that DSPs developed in 2024 and 2025, such as Elexicon's, may not be fully compliant with the guidelines: "Recognizing that distribution system planning may be at a relatively advanced stage for applications scheduled to be filed in 2024 or 2025, the OEB's expectation is that all rate applications filed in 2026 should be fully consistent with the Benefit Cost Analysis Framework".[16] Elexicon is fully supportive of the practical approach described in the guidelines, and has developed a pre-screening process. As outlined in Exhibit 2B - Tab 3 - Schedule 5, the pre-screening process has been applied to the proposed investments and about $34M of the proposed capital investments have passed the screening and will proceed to the BCA stage for further analysis.

However, opportunities for NWS may evolve over the rate term due to various factors such as acceleration of customer demand which may cause new capacity constraints, as additional DERs are connected to the system, and as the capabilities of the grid improve due to investments in grid modernization.

A draft accounting order for the non-wires solutions deferral account has been included as section 6.5 to this Schedule.

6.2 Purpose

Elexicon will be evolving its NWS approach over the 2027 to 2031 period to continue to improve the consideration of NWS in its planning in order to seize potential opportunities for NWS development, testing and deployment. Given the timing of its planning cycle for this application, Elexicon did not develop or acquire specific NWS for which costs are known and could be reasonably forecasted. Through this account, Elexicon has a means of recovering costs associated with these opportunities,

[15] NWS might include Energy efficiency programs, Demand response programs, Programs that improve the efficiency of the distribution system and reduce distribution losses, Energy storage (in front of or behind the meter), Generation (in front of or behind the meter), Managed charging of electric vehicles. Ontario Energy Board, EB-2024-0118, "Non-Wires Solutions Guidelines for Electricity Distributors", Page 6, (March 28, 2024)
[16] NWS Guidelines, EB-2024-0118, Pages 3-4.

as the costs associated with the development, testing, deployment and tracking of specific NWS were not incorporated into Elexicon's OM&A expenditures.

6.3 Implementation

Elexicon proposes an account which sufficiently captures the potential costs associated with development of specific NWS, as well as the testing and deployment of these solutions.

The account would track the incremental OM&A associated with the following:

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

6.4 Eligibility Criteria

The following sub-sections explain how the proposed NWS Deferral Account meets the OEB's three criteria of causation, materiality and prudence for establishing new deferral and variance accounts

Causation: Section 2.9.2 of the OEB's Chapter 2 Filing Requirements requires that "the forecast amount to be recorded in the proposed account must be clearly outside of the base upon which rates were derived." Elexicon's forecast OM&A does not include the costs of the potential NWS to be deployed (e.g., battery solution, CDM program). As such, any costs related to NWS would be outside the base upon which rates were derived.

For example, solutions such as demand response, are new services which require development, modelling, testing, marketing and execution, all of which are new activities that would need to be developed internally or contracted to a third-party. Elexicon's OM&A and capital program do not include the potential costs associated with a new demand response program (internally or externally designed and delivered).

Materiality: Elexicon's materiality threshold is $700,000. Elexicon proposes the costs in this account be tracked cumulatively over the course of the rate term for disposal at Elexicon's next rebasing. The incremental costs associated with the investigation and deployment of non-wires solutions could have a material impact on the utility; however, the timing of those costs is unknown. Based on publicly available information about other Ontario utilities' programs which are in a more developed state, the potential operational costs related to NWS can range from $0.1M/MW to $0.3M/MW, suggesting costs over the five-year period, could well exceed the materiality threshold.[17, 18, 19]

Discovery work and deployment of project may span multiple years, warranting a cumulative treatment of costs so as not to deter Elexicon from investing potential NWS solutions.

Prudence: Costs recorded in the account meet the criteria of prudence as they are related to meeting the OEB's evolving requirements that utilities consider NWS in their planning. The selection of NWS will be supported by the application of the OEB's BCA Framework.

An assessment of the prudence of the costs tracked in this account will take place at Elexicon's next rebasing.

6.5 Draft Accounting Order

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

- incremental labour costs to design, model, execute, and assess the results of a NWS project,
- incremental labour costs for the marketing and program design related to demand response,
- incremental labour costs for project-specific regulatory guidance, and project-specific financial analysis, tracking, reporting, and reconciliation.

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[17] Toronto Hydro, EB-2023-0195, "Distribution System Plan 2025-2029", Exhibit 2B - Section E7.2 (p1735 of 2042)
[18] Alectra Utilities, EB-2025-0252, "Distribution System Plan 2027-2031", Exhibit 2A - Tab 1 - Schedule 1 - Section 5.3.5, Part 1 of 5 (p. 340)
[19] Hydro Ottawa, EB-2024-0115, "Distribution Service Plan 2026-2030", Exhibit 2 - Tab 5 - Schedule 8, p.52

- participant costs of a demand response program (e.g. payments to participants),
- consultant/third-party costs associated with discovery work after a need or opportunity is identified that could lead to a specific project,
- consultant/third-party costs associated with engineering studies, benefit cost analysis, and/or program measurement and verification,
- consultant/third-party costs associated with designing and executing a specific project,
- costs of accessing third-party assets (e.g. costs paid to a DER owner/aggregator).

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

Journal Entries:

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

7. LARGE LOAD REVENUE VARIANCE ACCOUNT

7.1 Overview

Elexicon proposes to establish a Large Load Revenue Variance Account (“LLRVA”) to record variances between forecast and actual distribution revenue received from 15 new large load customers (“New LL Customers”) currently forecast to connect by 2031. For the purposes of this account, Elexicon defines New LL Customers as customers in the GS 3,000 to 4,999 kW and Large Use rate classes which did not have active accounts as of December 31, 2024. The LLRVA will function on a symmetrical basis, crediting incremental distribution revenue from New LL Customers relative to forecast to ratepayers, or collecting from ratepayers any shortfall in New LL Customer distribution revenue relative to forecast. Elexicon proposes to dispose of any balance in this account in its next rebasing application.

A draft accounting order for the LLRVA has been included as section 7.5 to this Schedule.

7.2 Purpose

As described in Attachment 1 to Exhibit 3 – Tab 1 – Schedule 1, Elexicon is forecasting the connection of a significant number of New LL Customers over the 2025 to 2031 period, with significant impacts on Elexicon's forecast billing determinants and distribution revenue. Under Elexicon's proposed Custom Incentive Regulation rate framework, this incremental revenue from New LL Customers will be used in the derivation of annual distribution rates, with the impact being a reduction to the difference between approved revenues[20] and revenues at existing rates; pushing down distribution rate increases for customers. As such, the incremental revenues associated with New LL Customers provide an upfront benefit to Elexicon's ratepayers over the 2027-2031 rate term.

Though Elexicon has made all reasonable efforts to accurately forecast the number of New LL Customers, the magnitude of their billing determinants, and the timing of their connection, there remains uncertainty with respect to forecast revenues from New LL Customers. Permitting, regulation, financing, business strategy, economic and other factors outside of the control of Elexicon can ultimately drive variances in the timing or quantity of load taken up by New LL Customers relative to Elexicon's forecast. This uncertainty is impactful due to the size of New LL Customer consumption and load, which accounts for about 60% of the cumulative growth of kW billing determinants by 2031. Table 4 below reproduces the figures provided in Exhibit 3 - Tab 1 - Schedule 1 - Appendix A, Tables 128 and 129:

Table 4: Cumulative New LL Customer Counts and kW

	GS 3,000 to 4,999 kW		Large Use	
Year	Customers	Billed kW	Customers	Billed kW
2025	3	65,894	0	33,122
2026	8	191,637	1	91,139
2027	10	267,455	2	180,536
2028	11	292,197	3	324,689
2029	11	308,491	4	432,177
2030	11	331,969	4	466,439
2031	11	355,213	4	474,125

[20] As in the 2027 base revenue requirement approved in this Application, and base distribution revenues approved in the 2028 to 2031 Annual Update applications based on escalation of 2027 revenue requirement by Elexicon's Custom Revenue Cap Index

Customer counts in Table 4 are provided on an average annual basis.

Despite the uncertainty described above, Elexicon has included the revenues associated with New LL Customers in its load and revenue forecasts, as Elexicon believes ratepayers should receive the benefits of these revenues in rates. Elexicon is proposing the LLRVA to protect ratepayers and the utility from the uncertainty associated with the timing of revenues received from New LL Customers. To the degree New LL Customers connect earlier, in greater numbers, or with greater load than forecast, customers will receive this benefit through credit entries to the LLRVA. Should New LL Customers connect later, in lesser numbers, or with lesser load than forecast, Elexicon requires the LLRVA to ensure revenue shortfalls do not force the utility to de-prioritize other important capital needs outlined in the Distribution System Plan, such as system renewal, grid modernization, and the timely connection of new residential customers. To the degree lower New LL Customer connections results in a reduced need for capital to connect these customers, Elexicon's proposed Demand-Related Variance Account will ensure customers are credited such reductions and vice versa.

7.3 Implementation

In order to determine entries to the LLRVA, Elexicon will calculate the difference between the forecast billing determinants outlined in Table 4 above, and actual billing determinants of New LL Customers on an annual basis. Customer count will be established on an average annual basis, while kW billing determinants will be determined on a total annual basis; consistent with the values shown in Table 4 above. Any difference between actual and forecast New LL Customer count and billed kW for a given year, by rate class, will be multiplied by the fixed monthly charge (multiplied by 12) and the variable charge applicable. The resulting values will be entered into the LLRVA on an annual basis as credits, where actuals exceed forecast on an aggregate basis, or debits, where actuals are less than forecast on an aggregate basis.

Carrying charges will apply to balances entered into the LLRVA at the OEB's prescribed interest rate for DVAs.

7.4 Eligibility Criteria

This section explains how the proposed LLRVA meets the OEB's three criteria of causation, materiality and prudence for establishing new deferral and variance accounts.

Causation: Any amounts entered into the LLRVA represent a variance from the New LL Customer revenues anticipated in this application and relied upon to set rates in this application and future Annual Updates. As such, any amounts entered into the LLRVA are directly related to the stated cause and are outside of the basis upon which rates have been set.

Materiality: As noted above, by 2031 Elexicon forecasts the 15 New LL Customers will account for 60% of the growth in kW charge determinants relative to 2024 and 16% of total billed kW demand for the entire utility by 2031. This level of electricity usage translates into a forecast of about $5.2 million in distribution revenue in 2031; representing a material portion of Elexicon's forecast distribution revenue, and indicating that a mere 12-13% increase or decrease in distribution revenue from this customer group would exceed Elexicon's materiality threshold in this proceeding. A variance of this size could be triggered by one customer given the size of some of these loads. As such, variances in New LL Customer distribution revenue could have a significant impact on the operations of the utility, representing material shortfalls in required distribution revenue or material amounts which will be credited to ratepayers via the proposed LLRVA.

Prudence: Revenue variances captured in the LLRVA will be the result of factors outside of the control of utility management, such as changes to the timing, size or number of New LL Customers connected to the Elexicon system through 2031. As such, amounts reflected in the LLRVA are inherently prudent, and will further be subject to OEB review upon disposition request in a future proceeding.

7.5 Draft Accounting Order

Elexicon shall establish the new variance account, "Large Load Revenue Variance Account" ("LLRVA"), effective January 1, 2027. The LLRVA will record variances in distribution revenue received from new Large Load Customers ("New LL Customers") connecting to Elexicon's distribution system between January 1, 2025 and December 31, 2031, relative to the 15 New LL Customers in the approved distribution revenue forecast. For the purposes of this account, Elexicon defines New LL Customer as customers in the GS 3,000 to 4,999 KW and Large Use rate classes which did not have active accounts as of December 31, 2024.

Entries to the LLRVA will be based on annual variances between forecast and actual billing determinants of New LL Customers. For fixed charge distribution revenue, entries will be based on the difference in average annual customer count of New LL Customers multiplied by the approved fixed monthly customer charge for the year in question, multiplied by 12. For variable charge distribution revenue, entries will be based on the difference in total annual kW demand billing determinants of New LL Customers. Entries may be recorded as debits or credits to ratepayers, dependent upon whether actual distribution revenues are lower or higher than forecast. Carrying charges will apply at OEB-prescribed rates. Elexicon will bring forward the LLRVA for disposition at its next cost of service application.

Journal Entries:

DR/CR: 1508	Sub-Account LLRVA
CR/DR: 4080	Distribution Services Revenue
To record variances between forecast and actual distribution revenue of 15 New LL Customers over the 2027 to 2031 period	
DR/CR: 1508	Sub-Account LLRVA Carrying Charges
CR/DR: 4405	Interest Income
To record carrying charges associated with amounts recorded in Sub-Account LLRVA	