
Q&A's for the OEB's April 8, 2020 Webinar on Guidance Regarding the COVID-19 Emergency

Issued: May 14, 2020

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The Ontario Energy Board (OEB) hosted a webinar on the Review of OEB COVID-19 Guidance for utilities on April 8, 2020. The purpose of the webinar was to provide a forum in which OEB staff addressed questions that utilities had regarding OEB correspondence on the COVID-19 emergency. OEB staff provided a brief presentation covering each of the items addressed in its correspondence, followed by a question and answer (Q&A) period. Below are responses to the key questions asked during the webinar, which represent the views of OEB staff. The OEB intends to conduct a consultation on the scope and management of the deferral account Impacts Arising from the COVID-19 Emergency (COVID-19 account) and its sub-accounts in the spring.

Questions Pertaining to Scope of COVID-19 Account

Q1. Can Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues be used to track distribution revenue / cost of power losses due to bankruptcies etc., outside of normal bad debt costs?

A1. The OEB acknowledges that utilities may incur incremental costs as a result of the ongoing COVID-19 pandemic, the severity and duration of which is uncertain at this time. Utilities can track any incremental costs and lost distribution revenues related to the COVID-19 pandemic in three sub-accounts of Account 1509, which was established in the March 25, 2020 [accounting order](#)¹, subject to the outcomes of the consultation. Incremental bad debt costs would be recorded in the Sub-account Other Costs.

Q2. Is Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues also meant to capture lost load? If so, is there a calculation methodology that is suggested?

A2. The OEB intends to conduct a consultation on the scope and management of the COVID-19 account in the spring. This will include a discussion on the extent to which the sub-account should track lost load and if so, the methodology for calculating both temporary and permanent lost load.

Q3. Can non-productive time be charged to the COVID-19 account (e.g. crews working one week and then off the next week to ensure appropriate safe conditions)?

A3. If a utility considers these costs as incremental due to the nature of the emergency, utilities may record them in the account, subject to the outcomes of the consultation.

¹ Accounting Order for the Establishment of Deferral Accounts to Record Impacts Arising from the COVID-19 Emergency, March 25, 2020

Q4. Do savings need to be tracked and offset against incremental costs that are recorded in the COVID-19 account?

A4. Savings should be tracked and quantified to the extent possible in the event that net incremental costs are required for purposes of disposition reviews. Utilities should use the Sub-account Other Costs to track any quantifiable savings.

Q5. If utilities need to negotiate another credit facility and the pricing is significantly higher than prior to the start of the emergency, can utilities track those incremental costs for recovery, given that available liquidity and pricing have been directly affected by COVID-19?

A5. The OEB established the COVID-19 account to provide a mechanism to track lost revenue and incremental costs due to the COVID-19 emergency. This account may assist utilities in their negotiations with financial institutions. If the utility has the right information and can support an increase in the pricing of a credit facility due to the COVID-19 emergency, this information can be tracked in the Sub-account Other Costs subject to the OEB's consultation and final review of the account.

Q6. Given the government's intentions to introduce customer choice for electricity commodity pricing which has come up during the COVID-19 emergency, will any incremental programing costs be considered for a deferral account treatment?

A6. If an account is required, the OEB will communicate if the existing Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Other Costs may be used or whether another account will be established.

Q7. Are COVID-19 related costs incurred prior to the OEB establishing the COVID-19 account eligible for inclusion?

A7. The treatment of COVID-19 account and its sub-accounts will be subject to a consultation. The account was established to capture costs effective March 24, 2020. If the utility has incurred material costs prior to March 24, 2020, it is open to a utility to record these costs in the account and bring forward an argument for recovery when it seeks disposition. Alternatively, the utility could choose not to record the amounts in the account pending the outcome of the consultation and any further OEB guidance that may be provided in the future.

[Other Questions Pertaining to COVID-19 Account](#)

Q8. Is the materiality threshold applied to the total COVID-19 control account amount or to each sub-account? For recently merged distributors, would materiality be on a rate zone basis or for the total distributor?

A8. The OEB will need to determine a fair approach when determining the issue of materiality for the COVID-19 account and its sub-accounts, including the issue of how to treat different rate

zones. Past practice for assessing materiality of deferral and variance accounts have typically been on a sub-account basis. These issues will be addressed during the upcoming consultation.

Q9. Can utilities assume that there is sufficient assurance of recovery of the COVID-19 account for a utility to recognize a regulatory asset in its financial statements as at the period end?

Q9. The OEB has purposely made the COVID-19 account broad given the uncertainty with the COVID-19 emergency. The scope and management of the COVID-19 account and its sub-accounts will be the subject of a consultation. The ultimate approval of account disposition will be determined by the OEB in due course. However, the OEB may seek input during the early stages of the consultation on what form of early relief, if any, is required from the OEB to assist utilities in leveraging the accounts further in terms of financial statement recognition, negotiations with financial institutions, etc.

Q10. Do the accounts apply to transmitters and generators?

A10. In the April 29, 2020 [accounting order](#)², the OEB confirmed that the COVID-19 account established in the March 25, 2020 accounting order to track any incremental costs and lost revenues related to the COVID-19 pandemic for electricity distributors and natural gas distributors is also applicable to OPG and transmitters

[Questions Pertaining to Cash Flow and Liquidity Issues](#)

Q11. How would utilities determine which bad debts are COVID-19 related and which are regular course of business?

A11. The approach to quantifying incremental bad debt expense beyond the bad debt expense currently incorporated in base rates will be discussed at the consultation.

Q12. Is the OEB considering a rate adder to help with cash flow needs before disposition of the sub-accounts?

A12. The OEB may consider rate adder treatment to assist with cash flow issues. Rate adder treatment may be contrary to the approach taken recently by many electricity distributors that chose to postpone their May 1 rate adjustments. There will be further discussions at the consultation to determine the necessity of advance partial disposition of the sub-accounts and if needed, what the mechanics of such an advance rate adder would be.

² Accounting Order for the Establishment of Deferral Accounts to Record Impacts Arising from the COVID-19 Emergency for Ontario Power Generation Inc. and Electricity Transmitters, April 29, 2020

Questions Pertaining to Compliance

Q13. Are distributors able to get some relief for compliance with Service Quality Requirements (SQRs), for reasons such as an inability to track the metric and also an inability to meet the metric?

A13. On March 27, 2020, the OEB waived the requirements for SQRs at this time. In that [letter](#),³ the OEB stated it is expected that distributors do their best to meet requirements of customers and focus on providing good service, reliability and safety of systems. In terms of the impact on reporting of SQRs, the OEB will consult on this issue at the end of the emergency.

Q14. Section 5.1.3 (b) of the Distribution System Code states that distributors have until August 21, 2020 to install a MIST⁴ meter on any existing installation that has a monthly average peak demand during a calendar year of over 50 kW. Due to the COVID-19 emergency causing significant manufacturing delays, it is likely that some distributors will now be unable to meet this deadline. If this is the case, should distributors file a formal letter with the OEB notifying them of such, or would such an item be sufficiently covered off by the OEB's March 27, 2020 guidance letter to distributors?

A14. The intent of the March 27, 2020 letter was to provide guidance for distributors that may not be able to comply with all obligations. The OEB may issue further guidance and set a new deadline for installation of MIST meters beyond the current deadline of August 21, 2020, after considering this issue further. Distributors may wish to contact the OEB directly if they have concerns with meeting the timeline in the Code.

Questions Pertaining to the Low-Income Energy Assistance Program – Emergency Financial Assistance

Q15. In reference to the Low-Income Energy Assistance Program Emergency Financial Assistance (LEAP EFA), if a lead agency is closed due to the COVID-19 emergency, how should the distributor proceed when the program should be available? Can the distributor administer and relax the eligibility requirements?

A15. Regarding existing LEAP funding, OEB staff is aware that some agencies have closed and are unable to process applications. As the disconnection ban has been extended until July 31, 2020, the OEB expects distributors to hold off on referring consumers to the LEAP EFA, pending future guidance from the OEB.

³ Letter regarding Guidance to Electricity and Natural Gas Distributors on Providing Relief to Customers During the COVID-19 Emergency, March 27, 2020

⁴ MIST refers to “metering inside the settlement timeframe”

Q16. If LEAP funds have already been depleted, could additional distributor donations be recorded in the COVID-19 account for recovery?

A16. The OEB's practice has been that donations are not allowed to be recovered by ratepayers. The OEB has approved LEAP funding for distributors which is the greater of 0.12% of the distribution revenue requirement and \$2,000, or other amount as approved by the OEB through a distributor's cost of service application. Distributors may propose a LEAP fund higher than 0.12% if its demographics might lead to greater need. The OEB will consider the treatment of additional funding to be used for the LEAP program as part of a response to the COVID-19 emergency, at the consultation.

[Questions Pertaining to Cost of Service Applications](#)

Q17. What should distributors do regarding the filing of cost of service applications for May 1, 2021 rates? Will the OEB issue guidance about how to address the impacts of the delay on such matters as the year-over-year comparisons due to capital budgets being on hold?

A17. The OEB has granted extensions for January 1 filers whose applications were due on April 30, 2020. The OEB is still planning to convene a cost of service Orientation Session in summer 2020 for 2021 rate applications. This session will discuss the impact of the COVID-19 emergency on bridge and test year information.

Q18. Should a distributor engage in customer consultation during this emergency to fulfill the OEB's expectations of customer engagement requirements in cost of service applications?

A18. If a distributor has done a lot of work on customer engagement already and it is close to being finalized, a customer engagement filing should be included in its application. If customer engagement work was delayed due to the COVID-19 emergency, there should be an assessment on whether further engagement can be done in advance of any filing and if not, an explanation provided in the application. This will depend on the timing of any cost of service filing (for example, for 2022 rates), including any delay in filing a planned application for 2021 rates. The OEB anticipates that this area will be discussed at the Orientation Session that is planned for summer 2020 for 2021 and 2022 filers.

Other Questions

Q19. Will the OEB need to consider the timing of benchmarking results expected in August 2020 that will be used in the MD&A⁵ and the OEB's scorecard?

A19. The upcoming benchmarking results and scorecard will be based on 2019 performance. At this time, it is the OEB's expectation that such timelines will be adhered to.

Q20. Has the OEB given any thought to the cost of capital parameters? The cost of capital parameters to be released in the fall of 2020 will not be representative of the next five years for 2021 rate filers.

A20. The OEB is currently monitoring macroeconomic conditions and statistics, and changes in the cost of capital parameters as a result of these, and will consider if any action is required in advance of the fall update. The current policy⁶ also requires the OEB to consider whether the results of the current formulae are reasonable in light of prevailing economic conditions, each time the OEB updates the parameters.

Q21. What happens to amounts that have been collected from an ACM/ICM rate rider that is effective May 1, 2020, if the approved ACM/ICM project is not completed in 2020 due to the COVID-19 emergency extending for a prolonged period of time?

A21: In the [Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module](#) (ACM Report)⁷, the report indicated that ACM or ICM amounts should be recorded in Account 1508 - Other Regulatory Assets.

The Accounting Procedures Handbook [March 2015 Guidance](#) provides the details on how to record ACM/ICM transactions, including the sub-accounts in which to record the transactions. Specifically, there are sub-accounts to track capital expenditures, depreciation expense, accumulated depreciation, and the rate rider revenue collected.

The ACM Report indicates that if there are significant variances between the actual ACM/ICM revenue requirement and the rate rider revenues collected, the OEB may decide to true-up any differences. This will apply to any approved ACM/ICM, including the case where the ACM/ICM project is delayed due to the COVID-19 emergency. Any over-collection of a rate rider will be reviewed in the distributor's next cost of service application.

The ACM Report also states that if the in-service date has been delayed to the following rate year (or beyond), distributors should identify this fact in the earliest possible IR application. However, if the distributor anticipates that the over-collection will be significant, the distributor

⁵ MD&A refers to "management discussion and analysis"

⁶ *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, EB-2009-0084, December 11, 2009

⁷ *Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, EB-2014-0219, September 18, 2014

may choose to inform the OEB at an earlier time and may provide a proposal to remedy the situation.