Ontario Energy Board
Accounting Procedures Handbook
Frequently Asked Questions
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ACCOUNTING PROCEDURES HANDBOOK

Frequently Asked Questions

Q.1 The OEB's letter of November 9, 2001 to the Local Distribution Companies (LDCs) provided guidelines for the partial recovery of Qualifying Transition Costs (Account 1570). Can you provide an example of a transfer from capital to non-capital costs for Qualifying Transition Costs? What about examples of non-capital transactions?

A.1 Pages 9 to 15 of Article 480 provide the amortization of capital assets as an example of a transfer from capital to non-capital costs for Qualifying Transition Cost. Examples of non-capital transactions recorded in Account 1570 include items such as: developing and issuing information brochures to customers regarding competitive markets; operating maintenance and administration expenses incurred for operations of capital assets; the amortization of capital assets; and the return on both capital and non-capital costs.

Q. 2 For distributor consolidated billing, should we use Account 1100 or Account 1102?

A. 2 Account 1100, Customer Accounts Receivable records amounts due from customers resulting from sales made directly by the distributor to its customers for such items as 1) electrical energy sales and 2) distribution revenues. It should not be used for distributor consolidated billings.

Account 1102, Accounts Receivable - Services, on the other hand, includes amounts receivable for the services provided by or on behalf of others (i.e. retailers). Distributor consolidated billings, whether bill-ready or rate-ready billings, are to be recorded in this account.

Q.3 Article 490

1) Are carrying charges calculated on RSVA account balances only but not on RCVA balances?

2) On page 10 of Article 490, "Maintenance and Recording" states: "RSVA shall be maintained at an aggregate level (i.e. customer specific)". Does this mean that the RSVA should be maintained on a rate class basis and not specific customers or on a global basis and not specific classes? The approved rates are based on rate classes and the RSVA accounts are intended to determine whether the individual approved rates are appropriate - determining appropriateness will be difficult unless the RSVA is separated by class.

3) Is there a document that matches the IMO charge-type numbers (e.g. those charges that are invoiced to market participants) with the OEB USoA numbers?

A.3 1) In accordance with the Rate Handbook, carrying charges are only calculated on RSVA account balances.

2) As a minimum, the Electricity Distribution Rate Handbook requires that the RSVA should be maintained on an aggregate basis. Consistent with the Rate Handbook requirements under Section 11.4.2.2, Article 490 does not require the RSVA to be maintained at a customer specific level.

Since these charges are based on general proxies (per kWh), there is no requirement that the RSVA be maintained by rate class. However, a utility may consider such recording if it enhances reporting.

3) The table below matches the IMO charges currently listed in the Rate Handbook (Chapter 11) with OEB USoA accounts. The Rate Handbook will be updated for the changes in the IMO Code.

TYPE OF CHARGE	RATE HANDBOOK TABLE CONTAINING TYPE OF CHARGES	USoA ACCOUNT
Wholesale Market Service Charges	Table 11.1	4708, Charges WMS
One-Time Charges	Table 11.2	4712, Charges One-Time
Retail Transmission Network Service Charges	Table 11.3, using IMO Code 600 line	4714, Charges NW
Retail Transmission Connection Service Charges	Table 11.3, using IMO Code 601 and 603 lines.	4716, Charges CN

Q.4 1) In Article 490 of the APHandbook, there is a reference to the Rural Rate Assistance (RRA) but no account number assigned. We have been advised to add 0.1 cents per kWh to the wholesale market service rate. Do we need to track the billed amounts separately, and if so, what is the account number recommended to be used?

2) What are the accounting procedures for recording Debt Retirement Charge? How do they differ from the RRA?

A.4 1) Under the Government of Ontario O. Reg. 442/01 (the "Regulation), subsection 5(6):

"A distributor and retailer who bills a consumer for electricity shall aggregate the amount that the consumer is required to contribute to the compensation required by subsection 79(3) of the Act with the wholesale market service described in the Electricity Distiribution Rate Handbook issued by the Board, as it read on October 31, 2001."

In the light of this regulation and under Article 490, the RRA charged by the IMO to the LDC should be debited to Account 4708, Charges WMS and credited to Account 2256, IMO Fees and Penalties Payable. The billings for the RRA by the LDC to its customers should be debited to an Accounts Receivable account (e.g. 1100 or 1102 depending on whether the utility is doing distributor consolidated billing) and credited to Account 4062, Billed WMS. There is no requirement to track "Billed" amounts separately as you referred to it in your question. The difference between the charges/costs and the billings/revenues should be debited or credited to Account 1580, $RSVA_{WMS}$. Further guidance on the above-noted accounts is provided in Article 490.

2) The Debt Retirement Charge (DRC) is a levy by the Ontario Government on recipients participating in the electricity market and is intended to raise funds to pay off the debts of Ontario Hydro. The Ontario Regulation 494/01, Section 2 appoints every distributor or retailer licensed under OEB Act 1998 or IMO to be its collectors.

When the licensed distributor acts as a collector and bills its customer for the DRC, it debits an Accounts Receivable Account (e.g. Account 1100, Customer Accounts Receivable or Account 1102, Accounts Receivable, Services) and credits Account 2250, DRC Payable (and the appropriate Revenue accounts). When it is paid by the customer, you debit Cash and credit Accounts Receivable. Upon remittance to the Ontario Government, the utility debits Account 2250 and credits Account 1005, Cash. Account 2250 becomes a clearing account for the recording of all DRC related revenues from the utility's customers as well as payments to the Ontario Government.

In both cases (i.e. RRA and DRC), there is an account "holder or bucket" for all the receipts and payments. The difference is that Account 2250 for DRC will act as a recordkeeping/clearing mechanism (DRC is a passthrough) for all the utility's DRC collections from its customers and the payments by the utility to the Ontario Government while Account 1580, $RSVA_{WMS}$ for RRA purposes will record the difference between the revenues and expenses for future refund/recovery.