

Uniform System of Accounts

Definitions and Instructions

When used in this Uniform System of Accounts:

1. Amortization means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized..

For capital assets, amortization provides a rational and systematic basis for allocating the amortizable amount of a capital asset over its estimated useful life. Amortization is calculated by allocating the cost less salvage value or residual value of a capital asset to the periods of service provided by the asset. Amortization may also be termed depreciation or depletion.

2. A. Affiliate, pursuant to section 3 of the *Ontario Energy Board Act, 1998*, with respect to a corporation, has the same meaning as in the *Ontario Business Corporations Act*. Under Part I—Definitions and Application of the *Ontario Business Corporations Act*, an affiliate means an affiliated body corporate. A body corporate means any body corporate with or without share capital and whether or not it is a corporation to which the *Ontario Business Corporations Act* applies. One body corporate shall be deemed to be affiliated with another body corporate if, but only if, one of them is the subsidiary of the other or both are subsidiaries of the same body corporate or each of them is controlled by the same person.
- B. Associate, pursuant to section 3 of the *Ontario Energy Board Act, 1998*, where used to indicate a relationship with any person, means,
 - a) Any body corporate of which the person owns, directly or indirectly, voting securities carrying more than 50 per cent of the voting rights attached to all voting securities of the body corporate for the time being outstanding,
 - b) Any partner of that person,
 - c) Any trust or estate in which the person has a substantial beneficial interest or as to which the person serves as trustee or in a similar capacity,
 - d) Any relative of the person, including the person's spouse as defined in the *Ontario Business Corporations Act*, where the relative has the same home as the person, or
 - e) Any relative of the spouse, as defined in the *Ontario Business Corporations Act*, where the relative has the same home as the person.

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- 2 C. Control of an enterprise is the continuing power to determine its strategic operating, investing and financing policies without the co-operation of others. In accordance with Generally Accepted Accounting Principles control is used as the basis for defining a subsidiary.
- D. Subsidiary, pursuant to section 2 of the *Electricity Act, 1998*, with respect to a corporation, has the same meaning as in the *Ontario Business Corporations Act*. Under Part I—Definitions and Application of the *Ontario Business Corporations Act*, a body corporate shall be deemed to be a subsidiary of another body corporate if, and only if,
- a) it is controlled by,
 - i) that other, or
 - ii) that other and one or more bodies corporate each of which is controlled by that other, or
 - iii) two or more bodies corporate each of which is controlled by that other; or
 - b) it is a subsidiary of a body corporate that is that other's subsidiary.

Note that a subsidiary is an enterprise controlled by another enterprise (the parent) that has the right and ability to obtain future economic benefits from the resources of the enterprise and is exposed to the related risks. For a complete discussion of accounting for subsidiaries, refer to CICA Handbook sections 1590—Subsidiaries.

3. Book cost is the amount of consideration given up to acquire, construct, develop, or better a capital asset and includes all costs directly attributable to the acquisition, construction, development or betterment of the capital asset including installing it at the location and in the condition necessary for its intended use.
4. Original cost, as applied to electric plant, means the cost of such property to the person first placing it into service.
5. Regulatory Assets and Liabilities are assets and liabilities that result from rate actions of the Board. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Uniform System of Accounts but for it being probable:
- A. that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or
 - B. in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

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6. Numbering System.

A. The account numbering plan used herein consists of a system of four-digit whole numbers as follows:

- 1000-2180 Assets and other debits.
- 2200-2550 Liabilities and other credits.
- 3000-3060 Shareholders' equity.
- 4000-4199 Sales and revenue accounts.
- 4300-4398 Other Income/Deduction accounts.
- 4400-4415 Investment income accounts.
- 4500-5215 Generation, transmission and distribution expenses.
- 5300-5700 Billing and collection, Community relations, Sales, and Administrative and general expenses.
- 5700-5740 Depreciation and amortization accounts.
- 6000-6045 Interest expense accounts.
- 6100-6115 Taxes.
- 6200-6225 Other deductions accounts.
- 6300-6330 Extraordinary items/ Discontinued operations accounts.

B. In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

C. The numbers prefixed to account titles are to be considered as parts of the titles. Each utility, however, may adopt for its own purposes a different system of account numbers provided that the numbers herein prescribed shall appear in the descriptive headings of the ledger accounts and in the various sources of original entry. However, if a utility uses a different group of account numbers and it is not practicable to show the prescribed account numbers in the various sources of original entry, such reference to the prescribed account numbers may be omitted from the various sources of original entry.

D. Moreover, each utility using different account numbers for its own purposes shall keep readily available a list of such account numbers which it uses and a reconciliation of such account numbers with the account numbers provided herein. It is intended that the utility's records shall be so kept as to permit ready analysis by prescribed accounts (by direct reference to sources of original entry to the extent practicable) and to permit preparation of financial and operating statements directly from such records at the end of each accounting period according to the prescribed accounts.

7. Inquiries.

To maintain uniformity of accounting, inquiries in respect to interpretation and clarification of accounting issues relating to specific situations in utilities should be directed to the Board for consideration and decision.

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8. Item Lists.

Lists of items appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. The lists are intended to be representative, but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

9. Unaudited Items.

Whenever a financial statement is required by the Board, if it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effect upon the accounts cannot be determined with absolute accuracy, the amount shall be estimated and such estimated amount included in the proper accounts. The utility is not required to anticipate minor items which would not materially affect the accounts.

10. Distribution of Pay and Expenses of Employees.

The charges to electric plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

11. Payroll Distribution.

Underlying accounting data shall be maintained so that the distribution of the cost of labor charged directly to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, electric operating functions (generation, transmission, distribution, etc.) and non-utility operations.

12. Records for Each Plant.

Separate records shall be maintained by electric plant accounts of the book cost of each plant owned, including additions by the utility to plant leased from others, and of the cost of operating and maintaining each plant owned or operated. The term plant as here used means each generating station, each transmission line or appropriate group of transmission lines and each distribution line or appropriate group of distribution lines.

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13. Transactions With Associated Companies.

Each utility shall keep its accounts and records so as to be able to furnish accurately and expeditiously statements of all transactions with associated companies. The statements may be required to show the general nature of the transactions, the amounts involved therein and the amounts included in each account prescribed herein with respect to such transactions. Transactions with associated companies shall be recorded in the appropriate accounts for transactions of the same nature. Nothing herein contained, however, shall be construed as restraining the utility from subdividing accounts for the purpose of recording separately transactions with associated companies.

14. Gains or Losses on Reacquisition of Long Term Debt

The following USoA accounts should be used to record gains or losses on to the reacquisition of long-term debt.

Losses on Reacquisition:

1540, Unamortized loss on reacquired debt
6020, Amortization of loss on reacquired debt

Gains on Reacquisition:

2415, Unamortized gain on reacquired debt
6025, Amortization of gain on reacquired debt--credit

15. Allowances.

To be drafted as legislative requirements become known.

16. Supervision and Engineering.

The supervision and engineering expense included in the expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation or maintenance of each utility function. Wherever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation shall be reflected by underlying records.

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16. Supervision and Engineering cont'd

Example items

Labor

1. Special tests to determine efficiency of equipment operation.
2. Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval.
3. Preparing instructions for operations and maintenance activities.
4. Reviewing and analyzing operating results.
5. Establishing organizational setup of departments and executing changes therein.
6. Formulating and reviewing routines of departments and executing changes therein.
7. General training and instruction of employees by supervisors whose pay is chargeable hereto. Specific instruction and training in a particular type of work is chargeable to the appropriate functional account (See Definitions and Instruction 20, Note b).
8. Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

Expenses

1. Consultants' fees and expenses.
2. Meals, traveling and incidental expenses.

17. Maintenance.

- A. The cost of maintenance chargeable to the various operating expense and clearing accounts includes labor, materials, overheads and other expenses incurred in maintenance work. A list of work operations applicable generally to utility plant is included hereunder. Other work operations applicable to specific classes of plant are listed in functional maintenance expense accounts.
- B. Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.
- C. If the book cost of any property is carried in account 2010, Electric Plant Purchased or Sold, the cost of maintaining such property shall be charged to the accounts for maintenance of property of the same class and use, the book cost of which is carried in other electric plant in service accounts. Maintenance of property leased from others shall be treated as provided in Definitions and Instruction 18, Rents.

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17. Maintenance cont'd

Example items

1. Direct field supervision of maintenance.
2. Inspecting, testing, and reporting on condition of plant specifically to determine the need for repairs, replacements, rearrangements and changes and inspecting and testing the adequacy of repairs which have been made.
3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of plant.
4. Rearranging and changing the location of plant not retired.
5. Repairing for reuse materials recovered from plant.
6. Testing for locating and clearing trouble.
7. Net cost of installing, maintaining, and removing temporary facilities to prevent interruptions in service.
8. Replacing or adding minor items of plant.

18. Rents.

- A. The rent expense accounts provided under the several functional groups of expense accounts shall include all rents, including taxes paid by the lessee on leased property, for property used in utility operations, except rents which are chargeable to clearing accounts, and distributed therefrom to the appropriate account. If rents cover property used for more than one function, such as production and transmission, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, an estimated basis.
- B. When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the rent revenue account in operating revenues; provided, however, that in case the rent was charged to a clearing account, amounts received from subleasing the property shall be credited to such clearing account.
- C. The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

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19. Classification of electric plant

A. The detailed electric plant accounts (1602 to 1995, inclusive) shall be stated on the basis of cost to the utility of plant constructed by it and the original cost, estimated if not known, of plant acquired as an operating unit or system. The difference between the original cost, as above, and the cost to the utility of electric plant after giving effect to any accumulated provision for depreciation or amortization shall be recorded in account 2060, Electric Plant Acquisition Adjustments. The original cost of electric plant shall be determined by analysis of the utility's records or those of the predecessor or vendor companies with respect to electric plant previously acquired as operating units or systems and the difference between the original cost so determined, less accumulated provisions for depreciation and amortization and the cost to the utility with necessary adjustments for retirements from the date of acquisition, shall be entered in account 2060, Electric Plant Acquisition Adjustments. Any difference between the cost of electric plant and its book cost, when not properly included in other accounts, shall be recorded in account 2065, Other Electric Plant Adjustments.

20. Components of construction cost.

A. the cost of construction properly included in the electric plant accounts shall include where applicable, the cost of labor; materials and supplies; transportation; work done by others for the utility; injuries and damages incurred in construction work; privileges and permits; special machinery services; allowance for funds used during construction; training costs; and such portion of general engineering, administrative salaries and expenses, insurance, taxes, and other similar items as may be properly included in construction costs.

Note a: The cost of individual items of equipment of small value or of short life, including small portable tools and implements, shall be charged to the appropriate operating expense or clearing accounts, according to the use of such items, or, if such items are consumed directly in construction work, the cost shall be included as part of the cost of the construction accounts to which such compensation is charged. Insurance recovered or recoverable on account of property damages incident to construction shall be credited to the account or accounts charged with the cost of the damages.

Note b: Training costs. When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature, or are new to the company's operations, these costs may be capitalized as a component of construction cost. Once plant is placed in service, the capitalization of training costs shall cease and subsequent training costs shall be expensed.

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21. Electric Plant Purchased or Sold.

- A. When electric plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly included in electric plant, shall be charged to account 2010, Electric Plant Purchased or Sold.
- B. The accounting for the acquisition shall then be completed as follows:
- (1) The original cost of plant, estimated if not known, shall be credited to account 2010, Electric Plant Purchased or Sold, and concurrently charged to the appropriate electric plant in service accounts and to account 2030, Electric Plant Leased to Others, account 2040, Electric Plant Held for Future Use, and account 2055, Construction Work in Progress--Electric, as appropriate.
 - (2) The depreciation and amortization applicable to the original cost of the properties purchased shall be charged to account 2010, Electric Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.
 - (3) The cost to the utility of any property included in account 2075, Non-utility Property, shall be transferred thereto.
 - (4) The amount remaining in account 2010, Electric Plant Purchased or Sold, shall then be closed to account 2060, Electric Plant Acquisition Adjustments.
- C. If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.
- D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the proposed accounting for such property shall be presented to the Board.
- E. In connection with the acquisition of electric plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.
- F. When electric plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 2060, Electric Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 2340, Collateral Funds Liability, shall be charged to such accounts and contra entries made to account 2010, Electric Plant Purchased or Sold. Unless otherwise ordered by the Board, the difference, if any, between (1) the net amount of debits and credits and (2) the consideration received for the property (less Boards and other expenses of making the sale) shall be included in account 4355, Gain on Disposition of Property, or account 4360, Loss on Disposition of Property. (See account 2010, Electric Plant Purchased or Sold.)

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22. Land and Land Rights.

- A. The accounts for land shall include the cost of land owned in fee by the utility. Do not include in the accounts for land costs incurred in connection with first clearing and grading of land and the damage costs associated with the construction and installation of plant. Such costs shall be included in the appropriate plant accounts directly benefited.

The accounts for land rights shall include the cost of rights, interests, and privileges held by the utility in land owned by others, such as easements, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land .

- B. The net profit from the sale of timber, cord wood, sand, gravel, other resources or other property acquired with the rights-of-way or other lands shall be credited to the appropriate plant account to which related. Where land is held for a considerable period of time and timber and other natural resources on the land at the time of purchase increases in value, the net profit (after giving effect to the cost of the natural resources) from the sales of timber or its products or other natural resources shall be credited to the appropriate utility operating income account when such land has been recorded in account 2040, Electric Plant Held for Future Use or classified as plant in service, otherwise to account 4390, Miscellaneous Non-operating Income.
- C. Separate entries shall be made for the acquisition, transfer, or retirement of each parcel of land, and each land right, or water right, having a life of more than one year. A record shall be maintained showing the nature of ownership, full legal description, area, map reference, purpose for which used, city, region, etc. , from whom purchased or to whom sold, payment given or received, other costs, contract date and number, date of register of purchase. Entries transferring or retiring land or land rights shall refer to the original entry recording its acquisition.
- D. When the purchase of land for electric operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the fair market value of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be included in account 2040, Electric Plant Held for Future Use, or account 2075, Non-utility Property, as appropriate.
- E. Land Rights should be amortized to operations over the term of the agreements and immaterial amounts shall be charged to the appropriate operating account in the year of occurrence.

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22. Land and Land Rights cont'd

F. The items of cost to be included in the accounts for land are as follows:

1. Purchase price.
2. Unwanted buildings located thereon.
3. Removal costs of unwanted buildings less salvage value.
4. Clearing, filling, grading and drainage cost.
5. Conveyancers' and notaries' fees.
6. Fees, commissions, and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.
7. Appraisals prior to closing title.
8. Cost of voiding leases upon purchase to secure possession of land.
9. Surveys in connection with the acquisition.
10. Title, examining, clearing, insuring and registering in connection with the acquisition

G. The items of cost to be included in the accounts for land rights are as follows:

1. Clearing, filling, grading and drainage cost.
2. Conveyancers' and notaries' fees.
3. Fees, commissions, and salaries to brokers, agents and others in connection with the acquisition of the land or land rights.
4. Appraisals prior to closing title.
5. Surveys in connection with the acquisition of the right.
6. Title, examining, clearing, insuring and registering in connection with the acquisition of the right.
7. Labor and expenses in connection with securing rights of way, where performed by company employees and company agents.

23. Buildings and Fixtures

These accounts shall include the cost of all buildings and fixtures for the operation of the electric utility.

"Buildings and Fixtures" means permanent buildings and equipment to house or safeguard persons or property, and includes all fixtures permanently attached to and made part of a building.

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23. Buildings and Fixtures cont'd

Example Items

- A. architects' plans.
- B. excavations.
- C. soil investigation for foundations
- D. foundations.
- E. Items of equipment which are associated with and form part of the building, such as plumbing, light, heat, ventilating and elevator, also special foundations and equipment piers for machinery or apparatus constructed as a permanent part of a building.
- F. Original fencing, except for fencing surrounding transformer station equipment and distribution station equipment.
- G. Landscaping, lawns, shrubbery.
- H. Sidewalks and pavements pertaining to the buildings.

Separate buildings shall be entered in such a manner that an accurate record of their individual cost shall be evident.

Note: Fencing and outdoor transformer pads associated with outdoor stations shall be included in account 1815, Transformer Station Equipment or account 1820, Distribution Station Equipment depending upon its location.

24. Electric Plant Purchased or Sold.

- A. When electric plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly included in electric plant, shall be charged to account 2010, Electric Plant Purchased or Sold.
- B. The accounting for the acquisition shall then be completed as follows:
 - (1) The original cost of plant, estimated if not known, shall be credited to account 2010, Electric Plant Purchased or Sold, and concurrently charged to the appropriate electric plant in service accounts and to account 2030, Electric Plant Leased to Others, account 2040, Electric Plant Held for Future Use, and account 2055, Construction Work in Progress--Electric, as appropriate.
 - (2) The depreciation and amortization applicable to the original cost of the properties purchased shall be charged to account 2010, Electric Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.
 - (3) The cost to the utility of any property properly included in account 2075, Non-utility Property, shall be transferred thereto.

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24. Electric Plant Purchased or Sold cont'd

(4) The amount remaining in account 2010, Electric Plant Purchased or Sold, shall then be closed to account 2060, Electric Plant Acquisition Adjustments.

- C. If property acquired in the purchase of an operating unit or system is in such physical condition when acquired that it is necessary substantially to rehabilitate it in order to bring the property up to the standards of the utility, the cost of such work, except replacements, shall be accounted for as a part of the purchase price of the property.
- D. When any property acquired as an operating unit or system includes duplicate or other plant which will be retired by the accounting utility in the reconstruction of the acquired property or its consolidation with previously owned property, the proposed accounting for such property shall be presented to the Board.
- E. In connection with the acquisition of electric plant constituting an operating unit or system, the utility shall procure, if possible, all existing records relating to the property acquired, or certified copies thereof, and shall preserve such records in conformity with regulations or practices governing the preservation of records of its own construction.
- F. When electric plant constituting an operating unit or system is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another shall be credited to the appropriate utility plant accounts, including amounts carried in account 2060, Electric Plant Acquisition Adjustments. The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in account 2340, Customer Advances for Construction, shall be charged to such accounts and contra entries made to account 2010, Electric Plant Purchased or Sold. Unless otherwise ordered by the Board, the difference, if any, between (1) the net amount of debits and credits and (2) the consideration received for the property (less commissions and other expenses of making the sale) shall be included in account 4355, Gain on Disposition of Property, or account 4360, Loss on Disposition of Property. (See account 2010, Electric Plant Purchased or Sold.)

25. For the purpose of this system of accounts:

- A. Transmission system means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose.
- B. Distribution system means a system for distributing electricity, and includes any structures, equipment or other things used for that purpose.

Note: Stations which change electricity from transmission to distribution voltage shall be classified as distribution stations.

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25. For the purpose of this system of accounts: cont'd
- C. Where poles or towers support both transmission and distribution conductors, the poles, towers, anchors, guys, and rights of way shall be classified as transmission system. The conductors, crossarms, braces, grounds, insulators, etc., shall be classified as transmission or distribution facilities, according to the purpose for which used.
 - D. Where underground conduit contains both transmission and distribution conductors, the underground conduit and right of way shall be classified as distribution system. The conductors shall be classified as transmission or distribution facilities according to the purpose for which used.
 - E. Land (other than rights of way) and structures used jointly for transmission and distribution purposes shall be classified as transmission or distribution according to the major use thereof.