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BY E-MAIL AND WEB POSTING

July 31, 2007

To: All Licensed Electricity Distributors
All Other Interested Parties

Re: Updating of the Accounting Procedures Handbook including the Uniform System of Accounts

The Board today has released a revised Accounting Procedures Handbook (APH) for electricity distributors, which has been updated to reflect regulatory and accounting standards changes made over the past few years. The revised APH is available on the "Rules, Codes, Guidelines & Forms" page of the "Industry Relations" section of the Board's website at www.oeb.gov.on.ca.

The revisions that have been included in the APH reflect the following:

1. changes to accounting standards established by the Accounting Standards Board which have been adopted in the CICA Handbook; and
2. Board-approved regulatory accounting requirements, whether arising from Board decisions or processes or triggered by new legislative or market rule provisions affecting regulatory accounting.

The material that has now been incorporated into the APH is already available in a number of different places on the Board's website or in published accounting standards. A summary of the revisions that have been made to the APH is set out in Appendix A. A list of accounts approved by the Board since the last revision to the APH is provided in Appendix B.

A number of initiatives being conducted or contemplated by the Board and/or accounting standards-setting bodies may trigger the need for further revisions to the APH. For example, additional accounts may be required to support the projects relating to the comparison of distributor costs and to distributor cost allocation. Any substantive revisions to the APH will be made following consultation with interested parties.

Please direct any inquires regarding the APH update to Ben Baksh at 416-440-8128. General inquires regarding the APH should be directed to the Market Operations Hotline at 416-440-7604 or by e-mail addressed to market.operations@oeb.gov.on.ca. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original signed by

Peter O'Dell
Assistant Board Secretary

Attachments:

Appendix A – Summary of Revisions to APH
Appendix B – Board-approved Accounts Included in APH Update

APPENDIX A

Summary of Revisions to APH

The APH update issued on July 31, 2007 includes the following revisions:

- Article 100 – References have been added to the CICA Handbook and to emerging issues that may affect the APH in the future.
- Article 210 – Uniform System of Accounts has been revised to reflect accounts and sub-accounts that have previously been approved by the Board (see Appendix B).
- Article 220 – Revisions relate to account descriptions of previous Board-approved accounts and sub-accounts. Also, revisions have been made to account descriptions to reflect Board-prescribed interest rates for variance and deferral accounts and the construction work in progress account as applicable.
- Article 310 – Revisions relate to GAAP references to rate-regulated enterprises, requirements of Accounting Guideline AcG-19 “Disclosure by Entities Subject to Rate Regulation” and the Accounting Standards Board proposed changes to accounting standards for rate-regulated enterprises.
- Article 320 – Revisions relate to new accounting terminology and more detail on accounting changes and disclosure requirements.
- Article 410 – Revisions relate to references to new CICA Handbook Section 3061- Property, Plant and Equipment, including new terminology, requirements for asset retirement obligations and capitalized interest using the Board-prescribed rate for allowance for funds used during construction.
- Article 450 – Revisions relate to references to CICA Handbook Section 3855 Financial Instruments–Recognition and Measurement and CICA Handbook Section 3861 Financial Instruments–Disclosure and Presentation.
- Article 470 – Revisions relate to new accounting terminology and references to CICA Handbook Section 3461-Employee Future Benefits and financial statements disclosure.
- Article 490 – Revisions relate to the name change of the Independent Electricity System Operator (IESO), requirements for the global adjustment variance sub-account, use of the accrual method for RSVAs that include monthly IESO charges and unbilled revenue accruals, and an appendix classifying the applicable IESO charge types for RSVAs.

In addition, the APH has been revised to incorporate guidance already provided as part of the FAQs posted on the Board’s website and generally to include relevant references to the CICA Handbook where applicable. The various constituent parts of the APH have also now been integrated into a single document.

APPENDIX B**Board-approved Accounts Included in APH Update**

The following accounts for electricity distributors have been approved by the Board in earlier decisions or processes are included in the chart of accounts (i.e. Article 210—Index of Uniform System of Accounts) and account descriptions (i.e. Article 220—Account Descriptions). In the revised APH, they are shown in grey shade for ease of reference.

- 1508 Other Regulatory Assets - Sub-account OEB Cost Assessments
- 1508 Other Regulatory Assets - Sub-account Pension Contributions
- 1525 Miscellaneous Deferred Debits, Sub-account Payments to Customers
- 1550 LV Variance Account
- 1555 Smart Meter Capital and Recovery Offset Variance Account
- 1555 Smart Meter Capital and Recovery Offset Variance Account, Sub-account Stranded Meter Costs
- 1556 Smart Meter OM&A Variance Account
- 1563 PILs Contra Account
- 1565 Conservation and Demand Management Expenditures and Recoveries
- 1566 CDM Contra Account
- 1588 RSVA Power - Sub-account Global Adjustments
- 1590 Recovery of Regulatory Asset Balances
- 1592 PILs and Taxes Variances for 2006 and Subsequent Years
- 4750 Charges – LV
- 4075 Billed – LV
- 5695 OM&A Contra Account