Ontario Energy Board
Accounting Procedures Handbook
Frequently Asked Questions
July 2007

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Q.1 The federal Large Corporation Tax ("LCT") was repealed in the Federal Government's 2006 Budget and was retroactive to January 1, 2006. Which APH accounts should be used to record the changes in tax legislation?

A.1 The Board approved accounts 1562 and 1592 to deal with changes in tax legislation and tax rules with respect to PILs and taxes. Account 1562 applies to entries up to April 30, 2006, while account 1592 relates to tax changes that affect the period after April 30, 2006. Account 1592 was specifically approved by the Board effective for the start of the 2006 rate year on May 1, 2006. Please refer to December 2005 FAQs, Q.19, for additional information on account 1592. Since there was no LCT cost to the distributor in 2006 (and beyond), no cost recovery is needed from rate-payers. Accordingly, both accounts should be used to record adjusting entries for LCT in the applicable periods indicated above.

Q.2 The distributor did not apply for 2006 rates, but had an LCT amount included in its previous rates. Which account should be used to record the LCT PILs tax entries?

A.2 Account 1562 should be used to record the adjusting entries for the period starting from January 1, 2006, up to the date the LCT component is removed from rates (e.g., May 1, 2007 or upon rates rebasing), since the previous distribution rates approved in the distributor's 2005 application, which included LCT, continued in rates during the period when the LCT legislative repeal came into effect (i.e., January 1, 2006).

Q.3 There is no schedule in the Rate Adjustment Model ("RAM") that isolated the LCT rate component in 2005 or in 2006. How does the distributor identify the amount that should be recorded?

A.3 If the distributor cannot identify how much LCT has been billed, or collected, from its customers, the amount can be estimated from the grossed-up LCT PILs or tax proxy included in rates for the 2005 and the 2006 rates applications, as applicable.

Q.4 How can the distributor calculate the required LCT amounts for the different time periods from the PILs or tax proxy?

A.4 The LCT amounts are in two parts since they relate to two rate years. The 2005 grossed-up LCT PILs or tax proxy was incorporated in rates for the period from April 1, 2005 to April 30, 2006. The 2006 EDR grossed-up LCT PILs or tax proxy was included in rates with effect from May 1, 2006 to April 30, 2007 for those distributors that applied for rate changes.

Take the 2005 grossed-up LCT proxy from the 2005 application PILs model, and divide the number by 12. Multiply this amount by four (4) to calculate the amount applicable to the period January to April 2006, and enter the credit for the amount in 1562. The debit entry is posted to account 4080. If the distributor did not apply for 2006 rates, the 12-month grossed-up LCT proxy from the 2005 application will be the amount to be recorded in 1562 for all of 2006 including up to the period indicated in A.2 above.

For the 1592 entry, take the 2006 EDR grossed-up LCT proxy from the PILs model and divide it by 12. Multiply this amount by 8 to calculate the amount for the period May 1 to December 31, 2006. Also, multiply this amount by four (4) to calculate the amount for the period from January 1 to April 30, 2007. The credit entries will be made to account 1592 and the debit entries will be made to account 4080 for the applicable periods.

The 2007 rate applications included an adjustment that removed the LCT component in PILs or taxes effective in rates on May 1, 2007 for those distributors that applied.

Q.5 Which interest rate should be used to calculate the simple interest carrying charge or credit in accounts 1562 and 1592?

A.5 Carrying charge amounts shall be calculated using simple interest applied to the monthly opening debit or credit balances in accounts 1562 and 1592 (exclusive of accumulated interest) and recorded in separate sub-accounts. In account 1562 for carrying charges up to the period ended April 30, 2006, the distributor shall use a rate of interest equal to its deemed debt rate set out in Chapter 3 of the 2000 Electricity Distribution Rate Handbook, Table 3-1. In account 1592 effective on May 1, 2006 and beyond, the rate of interest shall be the rate prescribed by the Board for the respective quarterly period. Information on prescribed interest rates can be found on the Board's website in the RRR section, and there are links to a website table of interest rates.

The offsetting entries for credit carrying charges recorded in these accounts are to account 6035, Other Interest Expense.

Q.6 Please confirm that the accounting treatment for regulatory assets and liabilities, approved by the Board on a final basis, requires that the approved amounts for each account be posted to account 1590, Recovery of Regulatory Assets?

A.6 Yes, as indicated as a requirement in the Board's letter of November 28, 2006 to electricity distributors regarding its approval of prescribed accounting interest rates policy for regulatory accounts. Amounts approved as part of the 2006 rates application process for each regulatory asset/liability account on a final basis for disposition in distribution rates should be posted to account 1590, Recovery of Regulatory Assets, effective on May 1, 2006. The offsetting entry is to the related regulatory asset/liability account(s).

The associated recoveries collected in rates over the remaining approved period (i.e., May 1, 2006 to April 30, 2008), which are recorded in account 1590 consistent with previous requirements for recording recoveries effective since April 1, 2004, will draw down on the amounts to be recovered. Any residual balance in this account at the end of this collection period will be reviewed in a future proceeding of the Board.

For purposes of calculating the carrying charges to be recorded in account 1590, only the principal amount transferred from the respective regulatory asset/liability account(s) is eligible for carrying charges. The previous carrying charges cumulative balance(s) up to April 30, 2006, transferred to 1590, should be recorded in a separate interest sub-account.

Q.7 Can you please provide the USoA accounts for recording OPA-funded CDM program related transactions?

A.7 OPA-funded CDM programs are not regulated by the OEB and therefore are classified as non-distribution activities. Consequently, OPA-funded CDM revenues, expenses, assets or liabilities are not recognized for rate-setting purposes. The OPA-funded CDM associated financial records shall be separate from the distributor's distribution activities.

A distributor receiving OPA-funded CDM revenues and incurring related CDM expenses and/or capital expenditures should record these transactions in separate non-distribution accounts in the USoA. For this purpose, account 4375, Revenues from Non-Utility Operations, should be used for revenues and 4380, Expenses from Non-Utility Operations, should be used for expenses. Sub-accounts may be used as appropriate.