



Energizing Our Community

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January 30, 2012

**Via OEB Web Portal**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, Suite 2700  
Toronto Ontario M4P 1E4

**Re: Revision of Accounting Procedures Handbook for Electricity Distributors  
Board File No: EB-2011-0428**

Dear Ms. Walli:

Orillia Power Distribution Corporation wishes to submit comments on the proposed Revised Accounting Procedures Handbook for Electricity Distributors (the "APH") for consideration by the Board in finalizing the APH as summarized in Appendix B to the Board's letter dated December 21, 2012.

Any questions or concerns can be directed to me at [pwelsh@orilliapower.ca](mailto:pwelsh@orilliapower.ca) or (705)326-2495 ext 240.

Respectfully,

Pauline Welsh  
Regulatory Officer



Ontario Energy Board Amendments to Accounting Procedures Handbook ("APH")  
Board File No: EB-2011-0428

Orillia Power Distribution Corporation (Orillia Power") offers the following comments with regard to the proposed Revised Accounting Procedures Handbook for Electricity Distributors dated December 21, 2011:

**Reference: Article 330 – Treatment of Certain Revenues and Expenses**

Under Method C on page 7 of Article 330, the proposed revised APH states:

"For regulatory accounting and reporting purposes, unbilled revenue should be accrued at the financial reporting date using the following accounts as provided in the USoA:

- Account 1120, Accrued Utility Revenues. This account shall include the amount of revenue for power/ services consumed prior to the distributor's period end but not billed until the following period.
- Account 4050, Revenue Adjustment. This account shall include both unbilled revenue adjustments and prior period billing adjustments.

In the subsequent period, an entry should be recorded to clear the unbilled revenue accrual (Account 1120, Accrued Utility Revenues) and distribute the actual billings rendered to the applicable sales accounts (accounts 4006 to 4110)."

Orillia Power finds that the APH statement that the revenue adjustment be recorded in Account 4050 is problematic where it states that it shall include unbilled revenue adjustments. Since the revenue adjustment is inclusive of charges billed to customers for commodity, global adjustment, retail transmission services, low voltage charges and delivery, Orillia Power believes that each of these charge components should flow to its related revenue account (4006 to 4080). This would then be consistent with the proposed revised Article 490, page 9:

"distributors will need to compare related revenue and expense streams and record the difference in the appropriate RSVA by way of a monthly journal entry. In doing so, a distributor is required to use the accrual basis of accounting. Under this basis, accruals are recorded monthly for unbilled revenue and for unbilled charges... The difference between the respective revenues and expenses after recording the accruals are recorded into the various RSVA accounts."

The illustrative example that begins on page 23 of Article 490, specifically entry b) for Nov 30 accrued unbilled revenues shows the accrual attributed to the various revenue accounts (4006 – 4080), not account 4050 as indicated in Article 330.

Orillia Power is asking that the reference to account 4050, Revenue Adjustment in Article 330 be replaced with wording consistent with the illustrative example in Article 490.

**Reference: Board letter dated Dec 21, 2011 - Appendix B – Amendments to Accounting Procedures Handbook – APH Article Summaries**

On page 15, Article 490, Accounting for Specific Items Retail Services and Settlement Variances – Revised, the Board requests comments from parties on whether a transition period is required, and if so, what would be a reasonable and practical date for the transition.

As way of background information, Orillia Power had opted to use alternative B – close out of related revenue and expense accounts at month end directly to the RSVA accounts, and to use the “cash”, ie the “billed” method for accounting for Retail Services and Settlement Variances. Carrying charges have been calculated on the “billed” basis. Although variance account balances have been reported quarterly (RRR 2.1.1) and annually (RRR 2.1.7) on the accrual basis under RRR requirements, Orillia Power has consistently booked year end balances under the “billed” method in accordance with APH Article 490. In the proposed revised APH, accrual accounting is required (“cash” option is no longer allowed) and alternative B is no longer an option.

Orillia Power asks that a transition period of a minimum of six months be provided. Although June 30, 2012 may appear to be a reasonable and practical date, Orillia Power suggests September 30, 2012. This would allow sufficient time to adapt our accounting processes for the changes needed to: a) incorporate accrual accounting on a monthly basis for affected balance sheet accounts, Retail Services and Settlement Variances, and b) with the elimination of alternative B, the change to a comparison of revenue to expense on a monthly basis to reduce the higher of revenue and expense with the offset to the RSVA balance sheet account.