



RRR 2.1.5.6 ROE FILING GUIDE FOR INPUT CELLS

FOR ELECTRICITY DISTRIBUTORS' REPORTING AND RECORD
KEEPING REQUIREMENTS (RRR)

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DISCLAIMER NOTICE

The ROE Filing Guide has been prepared by OEB staff as an operational document and is not intended to create any new OEB policy or to re-define the existing policy in the Electricity Reporting and Record Keeping Requirements (RRR) or other documents of the OEB. Where needed, it provides a reference for further information, or examples to clarify reporting requirements given the various scenarios that arise for different distributors.

All examples presented in the ROE Filing Guide are for general illustration purposes only, and may not address the specific circumstances of any one distributor.

2.1.5.6 Regulated Return on Equity (ROE)

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Please note that this guide is only for the input cells or tables that require the distributor’s inputs. Please refer to the document of “RRR 2.1.5.6 ROE Complete Filing Guide” for complete guidance and tips for the ROE filing and complete description of all cells and tables.

An Excel template of the 2.1.5.6 ROE form is available on the OEBs website at the following link:

<http://ontarioenergyboard.ca/oeb/Industry/Rules%20and%20Requirements/Reporting%20and%20Record%20Keeping%20Requirements/RRR%20Documents>.

It is recommended that the Excel spreadsheet be used as a working document and be completed in conjunction with the on-line filing under RRR 2.1.5.6.

Section A: Checklist

The Checklist tab contains questions which the distributor must answer with respect to the review and/or completion of the ROE filing. The purpose of the checklist is to ensure that all necessary information affecting the ROE filing has been taken into consideration and that any issues have been resolved before the submission of the filing. Due to the complex nature of the ROE filing, the checklist tab serves as an additional layer of the review for the distributors to ensure the accuracy of the filing.

The checklist can be reviewed before, during and/or after the completion of the remaining ROE tabs. The boxes assigned to each applicable checklist item must be checked off before the ROE filing can be submitted.

At the bottom of the checklist, there is an input cell titled “Submit?” with the option to select “Yes” or No”. Selecting “No” allows the distributor to save any data entered without submitting the filing. Selecting “Yes” allows the distributor to submit the filing. This should only be selected after the final review is completed.

Section B: Input Appendices

Section B.1 : Appendix 1 Non-rate regulated items and other adjustments

a) CDM revenues (recorded in Account 4375) (Cell aa)

Instruction: Enter the CDM revenues in Cell aa as a negative amount, which is consistent with recording revenues as credits in the RRR 2.1.7 trial balance.

b) CDM expenses (recorded in Account 4380) (Cell ab)

Instruction: Enter the CDM expenses in Cell ab as a positive amount which is consistent with recording expenses as debits in the RRR 2.1.7 trial balance.

c) Renewable generation revenues (recorded in Account 4375) (Cell ad)

Instruction: Enter the renewable generation revenues in Cell ad as a negative amount which is consistent with recording revenues as credits in the RRR 2.1.7 trial balance.

d) Renewable generation expenses (recorded in Account 4380) (Cell ae)

Instruction: Enter the renewable generation expenses in Cell ae as a positive amount which is consistent with recording expenses as debits in the RRR 2.1.7 trial balance.

e) Water services revenues (recorded in Account 4375) (Cell ag)

Instruction: Enter the amount of water and/or sewage services revenues in Cell ag as a negative amount which is consistent with the reporting of revenues as credits in the RRR 2.1.7 trial balance.

f) Water services expenses (recorded in Account 4380) (Cell ah)

Instruction: Enter the amount of water and/or sewage services expenses in Cell ah as a positive amount which is consistent with the reporting of expenses as debits in the RRR 2.1.7 trial balance.

g) Non-rate regulated utility rental income/investment income (recorded in Account 4385) (Cell aj)

Instruction: Enter the amount of investment income and/or rental income from non-rate regulated business in Cell aj as a negative amount which is consistent with the reporting of revenues as credits in the RRR 2.1.7 trial balance.

h) Depreciation expense on non-rate regulated assets (Cell ak)

Instruction: Enter the amount of depreciation expense on non-rate regulated assets in Cell ak as a positive amount which is consistent with the reporting of expenses as debits in the RRR 2.1.7 trial balance. Enter the USoA(s) in which the depreciation expense is recorded in the RRR 2.1.7 trial balance in the cell beside Cell ak.

i) Other adjustments for other revenue items that were not approved by the OEB (Cells al and am)

Instruction: For each of the applicable adjustments, enter the description of the adjustment, the amount of the corresponding revenue amount, and the associated USoA in which the revenue was recorded in the RRR 2.1.7 trial balance.

j) Other adjustments for other expense items that were not approved by the OEB (Cells an, ao, ap)

Instruction: For each of the applicable adjustments, enter the description of the adjustment, the amount of the corresponding expense amount, and the associated USoA in which the expense was recorded in the RRR 2.1.7 trial balance.

Section B.2 : Appendix 2 Non-Recoverable Donations

a) Other recoverable donations approved, please specify (Cells bc and bd)

Instruction: For each applicable donation, enter the description and USoA(s), the corresponding amounts in Cells bc and bd, if applicable.

Section B.3 Appendix 3 Net interest/carrying charges on Deferral and Variance accounts (DVAs)

a) Interest expense on DVAs (recorded in Account 6305) (Cell ca)

Instruction: Enter the interest expense on DVAs in Cell ca as a positive amount which is consistent with the reporting of expenses as debits in the RRR 2.1.7 trial balance.

b) Interest income on DVAs (recorded in Account 4405) (Cell cb)

Instruction: Enter the interest income on DVAs in Cell cb as a negative amount which is consistent with the reporting of revenues as credits in the RRR 2.1.7 trial balance.

Section B.4 Appendix 4 Interest Adjustment for Deemed Debt

a) Unrealized (gains)/losses on interest rate swaps if recorded in Account 6035 (Cell db1)

Instruction: Enter the amount related to unrealized gains/losses on interest rate swaps in Cell db1 if this amount is included in USoA 6035.

b) Other adjustments, please specify (Cells db2 and db3)

Instruction: Enter other adjustments that are recorded in the interest expenses USoAs 6005-6045 in Cells db2 and db3, if applicable. Enter a description of each adjustment in the blank cells to the left of Cells db2 and db3.

Section B.5 Appendix 5 Property, Plant and Equipment (PP&E)

a) Adjustments if required (Cell eb)

Instruction: Enter the description of the adjustment(s) and the corresponding

amount in Cell eb. An increase to the PP&E NBV should be entered as a positive amount and a decrease to the PP&E NBV should be entered as a negative amount.

b) Other adjustments cells (Cells eg, eh, ei,ej,ek)

Instruction: Enter the description of the adjustments, provide the USoAs and the corresponding amounts in the description cells and Cells eg, eh, ei, ej and ek.

Please note that the other adjustment cells are used to remove any other assets that were not included as part of the rate base in the distributor's last CoS Decision and Order. Examples of these adjustments are:

- NBV of Goodwill arising from acquisitions, not approved in the distributor's last CoS;
- NBV of Intangible assets not approved in the distributor's last CoS;
- NBV of Organization costs; and
- NBV on PP&E from acquisitions not approved in the distributor's last CoS.

Additional notes for the distributors who have not rebased under MIFRS

Please note that for those distributors who have not yet rebased under MIFRS or CGAAP with the revised capitalization and depreciation policies after making changes to their capitalization and depreciation policies in 2012 or 2013, an adjustment to the closing PP&E balances for the reporting year is required relating to the unamortized balances of USoAs 1575 and/or 1576. The adjustment must only be made for the components of these two DVAs that relate to the changes to the capitalization and depreciation policies since the distributors last rebased. This adjustment will ensure that capitalization and depreciation treatment used to determine the achieved ROE is consistent with the capitalization and depreciation policies applicable in the distributor's last CoS Decision and Order. The tax implications of the policy changes, if any, are to be identified and adjusted using the other adjustment lines in Appendix 6.

An adjustment is not required to the regulated net income for any distributors who used USoAs 1575 and/or 1576 DVAs and who revised their capitalization and depreciation policies since their last rebasing (and did not dispose of the DVA balances in an IRM application). The reason is because distributors were kept financially whole by the accounting mechanisms of USoAs 1575 and 1576; i.e. distributors would have recognized the accounting differences arising from the change in OM&A and depreciation expense through regulatory debits/credits recorded in accounts 4305/4310. The result was that distributors did not experience a P&L impact of the change in capitalization and depreciation policies.

However, in a case where a distributor received approval for the disposition of USoAs 1575/1576 in an IRM Decision and Order instead of a CoS Decision and Order, the distributor needs to assess if there is any impact of the disposition of

the DVAs 1575/1576 on its regulated net income and make the necessary adjustments accordingly, using the other adjustment lines in Appendix 1.

Section B.6 Appendix 6 Current Tax for Regulatory purposes

a) **Current Tax Provision/(Recovery) as per the Audited Financial Statements (AFS) (Cell fa)**

Instruction: Enter the Current Tax Provision from the income statement of the distributor's AFS in Cell fa. Ensure that the number entered in the cell agrees to the number on the distributor's AFSs.

b) **Reassessment of taxes from prior years included in current tax provision as per AFS (Cell fa1)**

Instruction: If the Current Tax Provision from the distributor's AFS entered in Cell fa includes prior year(s) reassessments, enter the amount of any prior year reassessments in Cell fa1.

c) **Loss carry forward from prior years included in current tax provision as per AFS (Cell fa2)**

Instruction: If the Current Tax Provision from the distributor's AFS entered in cell fa includes prior year(s) loss carry-forward, enter the amount of any loss carry-forward in Cell fa2.

d) **Actual Tax Rate (Cell xy)**

Instruction: Enter the combined tax rate as defined above into Cell xy. For example, if the actual tax rate is 26.50%, please enter 26.50 in the input cell.

e) **Current Tax Adjustment required to reconcile to RRR trial balance (Cell fb)**

Instruction: If applicable, enter the tax effect of any reconciling items required to balance net income on the AFS to the RRR trial balance in Cell fb. A reconciliation schedule, if not available in the RRR 2.1.13, must be prepared and retained to support the reconciling items.

f) **Current Tax Provision/(Recovery) as per RRR 2.1.7 USoA 6110 (Cell fc)**

Instruction: The amount in Cell fc is automatically populated from USoA 6110 reported in RRR 2.1.7. A balance check is performed to compare the sum of Cells fa and fb to Cell fc. If an "ERROR" message appears below Cell fc, please check inputs for Cells fa and fb above and revise to ensure the sum of Cells fa and fb balances to USoA 6110 in Cell fc. If a "CORRECT" message appears below Cell fc, then no further action is required.

g) **Activity in Regulatory Accounts included in taxable income on Schedule 1,**

if applicable (Cells gf and ff)

Instruction: Enter activity in regulatory accounts which is included in taxable income in Cell gf, if applicable.

- a) Net **Credit** activity of regulatory accounts requires a **negative** adjustment:

If net income for the purposes of calculating tax provision in the AFS/tax return/RRR includes regulatory assets and liabilities; and the activity of regulatory accounts is a **net credit** (i.e. net income in the AFS/tax return was **increased**), a **reduction** to net income for the purposes of calculating regulatory ROE is required. Enter regulatory account activity in Cell gf as a **negative** number. The tax **recovery** in Cell ff will automatically populate to calculate the tax effect of the activity.

- b) Net **Debit** activity of regulatory accounts requires a **positive** adjustment:

If net income for the purposes of calculating tax in the AFS/tax return/RRR includes regulatory assets and liabilities, and the activity of regulatory accounts is a **net debit** (i.e. net income in the AFS/tax return was **decreased**), an **increase** to net income for the purposes of calculating regulatory ROE is required. Enter regulatory account activity in Cell gf as a **positive** number. The tax **provision** in Cell ff will be automatically populated to calculate the tax effect of the activity.

A reconciliation schedule must be prepared and retained to support the net activity of regulatory accounts and the associated tax adjustment.

- h) **CCA on Non rate-regulated assets (Cells gj and fj)**

Instruction: An adjustment is required if distributors have non-rate regulated assets reported as part of in RRR 2.1.7 and reported in Appendix 5 in Cell ef, non-distribution assets (NBV). Enter the CCA on non-rate regulated assets included as a deduction in the AFS/tax return/RRR in Cell gj. The tax effect on the CCA on non-rate-regulated assets is automatically calculated in Cell fj.

A reconciliation schedule must be prepared and retained to support the CCA adjustment and associated tax effect.

- i) **CEC adjustment on Goodwill from acquisitions or other intangible assets that were not approved in the distributor's last CoS (Cells gk and fk)**

Instruction: Enter the disallowed CEC in Cell gk. The tax effect is automatically calculated in Cell fk.

A reconciliation schedule must be prepared and retained to support the CEC adjustment and associated tax effect. Note that the tax impact of any CEC adjustment on goodwill from the fair market value bump back to 2001 should not

be included as an adjustment item.

j) CCA adjustment on PP&E from acquisitions that was not approved in the distributor's last CoS (Cells gl and fl)

Instruction: Enter the CCA reduction from acquisitions that were not approved in a previous CoS in Cell gl. The tax effect is automatically calculated in Cell fl.

A reconciliation schedule must be prepared and retained to support the CCA reduction and associated tax effect. Note that the tax impact of increased CCA resulting from the fair market value bump back in 2001 should not be included as an adjustment item.

k) Other Adjustments (Please specify) (Cells gm, gn, go and Cells fm, fn, fo)

Instruction: Enter any other regulatory adjustments in Cells gm, gn and go, if applicable. The tax effects of these adjustments are then automatically calculated in Cells fm, fn and fo respectively. Specify the nature of the adjustment and prepare/retain supporting documentation.

Section C: ROE Summary

a) Unrealized (gains)/losses on interest rate swaps (Cell c)

Instruction: Enter unrealized gains/losses in Cell c. No entry is required if unrealized gains/losses have been recorded as OCI on RRR 2.1.7 trial balance. Enter the USoA account(s) in which the unrealized gains/losses were reported in the text box beside Cell c.

b) Actuarial (gains)/losses on Other Post Employee Benefits (OPEB) and/or Pension not approved by the OEB (Cell d)

Instruction: Enter Actuarial gains/losses on Other Post Employee Benefits (OPEB) and/or Pension not approved by the OEB in Cell d, if applicable. Enter the USoA(s) in which the unapproved actuarial gains/losses were recorded in the text box beside Cell d.

c) Other adjustments (Cell n2)

Instruction: Input other applicable adjustments in Cell n2. Provide the nature of the adjustments and input the corresponding USoAs in the blank cell adjacent to Cell n2 using the text boxes. Sum all adjustment items in the cell since only one line is provided for the adjustments.

Section D: Over-Earning Drivers Appendices 7 and 8

Section D.1 Appendix 7: Drivers for Over-earners

Table 7.2 Regulated Net Income Variances

- The distributor is required to complete Table 7.2 to identify the components of the variance regarding regulated net income as compared to the ROE \$ approved in the last CoS Decision and Order.
- The distributor is to compare the achieved revenues and costs with the values approved in the final Revenue Requirement Work Form (RRWF) in the last CoS Decision and Order and to calculate the variance amount for each of the common components in the table. The revenue/gain variances are to be calculated as the achieved amount for the reporting year minus the approved revenue/gain amount in the last CoS. The cost/expense variances are to be calculated as the approved cost/expense amount in the last CoS minus the achieved cost/expense for the reporting year.
- The variance between achieved regulated net income and ROE \$ approved in the distributor's last CoS Decision and Order may be a result of one or more the following factors:
 1. Change in distribution revenue
 2. Rate riders that are recorded in distribution revenues collected for the year
 3. Change in Other revenues
 4. Change in OM&A expenses
 5. Change in depreciation / amortization expenses
 6. Change in current tax expense
 7. Change in other expenses
 8. Other variances that are not identified above

Allocating the variance between achieved ROE and the deemed ROE approved in the distributor's last CoS Decision and Order to specific factors facilitates the identification of the main drivers for over-earning for the reporting year.

Distributors are to input the variance amounts for each applicable factor with the exception of the rate riders that are recorded in distribution revenues and collected in the year. These rate riders are automatically linked to Table 8.1 "Rate riders that are recorded in distribution revenues", discussed in further detail below.

- Distributors are required to quantify the variance for each applicable factor and explain the reason(s) for the variance(s) in the detailed explanation box provided next to each line item, as applicable.
- Distributors are required to provide a sufficient level detail in their explanations to facilitate the OEB's understanding of the reasons for over-earning as a result of variance in regulated net income.
- Cell titled "Total variance explained (%)" is auto-calculated equal to the total variance explained in Table 7.2 divided by the total variance as a result of

changes in regulated net income in Table 7.1. The distributors should explain majority of the variance between achieved regulated net income and ROE \$ approved in its last CoS Decision and Order. This calculated cell represents the degree of completeness for variance analysis as performed by the distributors regarding regulated net income. A value of greater or equal to 80% for “Total variance explained (%)” would indicate a complete variance analysis.

Table 7.3 Regulated Deemed Equity Variances

- The distributor is required to complete Table 7.3 to identify the variance between the achieved equity calculated in the reporting year and the regulated deemed equity approved in the last CoS Decision and Order:
 - Change in Working capital allowance (\$) and
 - Change in Average regulated PP&E (NBV)
- The distributor is to compare the achieved working capital allowance/average regulated PP&E with the values approved from the final RRWF of the last CoS Decision and Order and to calculate the variance amount for each of the components in the table. The variances to be calculated are between the achieved working capital allowance/average regulated PP&E for the reporting year, and the approved values from the last CoS Decision and Order.
- Distributors are required to provide a sufficient level detail in their explanations to facilitate the OEB’s understanding of the variance in regulated deemed equity.
- Cell titled “Total variance explained (%)” is auto-calculated equal to the total variance explained in Table 7.3 divided by the total variance as a result of changes identified in Table 7.1 regarding the regulated deemed equity. The distributors should explain majority of the variance between achieved equity and regulated deemed equity approved in its last CoS Decision and Order. This calculated cell represents the degree of completeness for variance analysis as performed by the distributors regarding regulated deemed equity. A value of greater or equal to 80% for “Total variance explained (%)” would indicate a complete variance analysis.

Section D.2 Appendix 8: Earning above the 300 Basis Points Per Customer/Connection per Month by main rate classes

Table 8.1 Rate riders that are recorded in distribution revenues

- Table 8.1 tabulates the total amount of rate rider revenues that are recorded in distribution revenue USoA 4080 for the reporting year. Please note that rate riders that are removed from distribution revenue and recorded against regulatory assets and liabilities should not be included in this table (e.g. DVA

and Global Adjustment rate riders). There are two objectives for Table 8.1:

- The total rate rider revenue calculated in this table is automatically linked to Cell hb in Table 7.2 “Rate riders that are recorded in distribution revenues collected for the year”.
 - The total rate rider revenue calculated in this table is to be excluded from the calculation of the estimated customer impact of over-earning in Table 8.2.
- It is the distributor’s responsibility to identify all rate riders that are recorded in distribution revenue for the reporting year. For each of the rate riders, enter the description, the amount, the effective date and the sunset date. Please do not include the Smart Meter Incremental Revenue Requirement (SMIRR) Rate Riders into the table.

Section E: Under-Earning drivers Appendices 9 and 10

Section E.1 Appendix 9: Drivers for Under-earners

Table 9.2 Regulated Net Income Variances

- The distributor is required to complete Table 9.2 to identify the components of the variance regarding regulated net income as compared to the ROE \$ approved in the last CoS Decision and Order.
- The distributor is to compare the achieved revenues and costs with the values approved in the RRWF from the last CoS Decision and Order and to calculate the variance amount for each of the common components in the table. The revenue/gain variances are to be calculated as the achieved amount for the reporting year minus the approved revenue/gain amount from the last CoS. The cost/expense variances are to be calculated as the approved cost/expense amount in the last CoS minus the achieved cost/expense for the reporting year.
- The variance between achieved regulated net income and ROE \$ approved in the distributor’s last CoS Decision and Order may be a result of one or more the following variances:
 1. Change in distribution revenue
 2. Change in OM&A expenses
 3. Change in depreciation / amortization expenses
 4. Change in current tax expense
 5. Change in other expenses
 6. Other variances that are not identified above
- Allocating the variance between achieved regulated net income and the regulated net income approved in the distributor’s last CoS Decision and Order to specific drivers facilitates the identification of the main drivers for under-

earning for the reporting year.

- Distributors are to input the variance amounts for each applicable factor with the exception of the rate riders that are recorded in distribution revenues and collected in the year. These rate riders are automatically linked to Table 10.1 “Rate riders that are recorded in distribution revenues”, discussed in further detail below. For distributors in an under-earning position, rate rider revenue will mitigate the shortfall in actual regulated net income as compared to the regulated net income approved in the distributor's last CoS Decision and Order.
- Distributors are required to quantify the variance for each applicable factor and explain the reason(s) for the variance(s) in the detailed explanation box provided next to each line item as applicable.
- Distributors are required to provide a sufficient level of detail in their explanations to facilitate the OEB’s understanding of the reasons for under-earning as a result of variance in regulated net income.
- Cell titled “Total variance explained (%)” is auto-calculated equal to the total variance explained in Table 9.2 divided by the total variance as a result of changes in regulated net income in Table 9.1 regarding the regulated net income. The distributors should explain majority of the variance between achieved regulated net income and ROE \$ approved in its last CoS Decision and Order. This calculated cell represents the degree of completeness for variance analysis as performed by the distributors regarding regulated net income. A value of greater or equal to 80% for “Total variance explained (%)” would indicate a complete variance analysis.

Table 9.3 Regulated Deemed Equity Drivers

- The distributor is required to complete Table 9.3 to identify the variance between the achieved equity calculated in the reporting year and the regulated deemed equity approved in the last CoS Decision and Order:
 - Change in Working capital allowance (\$) and
 - Change in Average regulated PP&E (NBV)
- The distributor is to compare the achieved working capital allowance/average regulated PP&E with the values approved in the final RRWF of the last CoS Decision and Order and to calculate the variance amount for each of the components in the table. The variances to be calculated are between the achieved working capital allowance/average regulated PP&E for the reporting year, and the approved values in the last CoS Decision and Order.
- Distributors are required to provide a sufficient level of detail in their explanations to facilitate the OEB’s understanding of the variances in regulated deemed equity.

- Cell titled “Total variance explained (%)” is auto-calculated equal to the total variance explained in Table 9.3 divided by the total variance as a result of changes identified in Table 9.1 regarding the regulated deemed equity. The distributors should explain majority of the variance between achieved equity and regulated deemed equity approved in its last CoS Decision and Order. This calculated cell represents the degree of completeness for variance analysis as performed by the distributors regarding regulated deemed equity. A value of greater or equal to 80% for “Total variance explained (%)” would indicate a complete variance analysis.

Section E.2 Appendix 10: Earning below the 300 Basis Points Per Customer/Connection per Month by main rate classes

Table 10.1 Rate riders that are recorded in distribution revenues

- Table 10.1 tabulates the total amount of rate rider revenues that are recorded in distribution revenue USoA 4080 for the reporting year. Please note that rate riders that are removed from distribution revenue and recorded against regulatory assets and liabilities should not be included in this table (e.g. DVA and Global Adjustment rate riders). There are two objectives for Table 10.1:
 - The total rate rider revenue calculated in this table is automatically linked to Cell j*b* in Table 10.2 “Rate riders that are recorded in distribution revenues collected for the year”; and
 - The total rate rider revenue calculated in the table is to be excluded in the calculation of the estimated customer impact of under-earning in Table 10.2.
- It is the distributor’s responsibility to identify all rate riders that are recorded in distribution revenue in the reporting year. For each of the rate riders, enter the description, the amount, the effective date and the sunset date. Please do not include the SMIRR Rate Riders into the table.