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Accounting Procedures Handbook Update

Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589

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Introduction

The OEB issued a [letter](#) on July 20, 2018, advising electricity distributors of the OEB's initiative to standardize the accounting processes used by distributors related to Regulated Price Plan (RPP) wholesale settlements and procedures to improve the accuracy of the commodity pass-through accounts: Account 1588 – RSVA_{Power}, and Account 1589 – RSVA_{GA}. Accordingly, the OEB is providing an initial set of standardized requirements for regulatory accounting and RPP settlements (Accounting Guidance). All distributors are expected to follow this Accounting Guidance.

The commodity accounts¹ capture the largest monthly transactions recorded by electricity distributors in their financial records. This accounting guidance is needed to help improve the accuracy of Accounts 1588 - RSVA_{Power}, and 1589 - RSVA_{GA} since the balances of each of the two accounts are refunded to/recovered from different groups of customers, due to cost causality. Account inaccuracies can significantly impact the different groups of customers.

The balances accumulated in Account 1588 - RSVA_{Power} are caused by all of a distributor's electricity customers², with the exception of embedded wholesale market participants³ (EWMP), and are therefore allocated to and recovered from all customers in all customer classes through a Group 1 deferral and variance accounts rate rider, (excluding EWMP customers). The balances accumulated in Account 1589 - RSVA_{GA} are caused by a distributor's Class B non-RPP electricity customers, excluding EWMP customers, and are thus allocated and recovered from only Class B non-RPP customers through a Global Adjustment (GA) rate rider, (excluding EWMP customers). Both Account 1588 - RSVA_{Power} and Account 1589 - RSVA_{GA} have been categorized as Group 1 variance accounts, and therefore these accounts are reviewed each year for disposition.⁴

The Accounting Guidance presented in this document has been organized in Sections I through IV. Detailed journal entries are included to depict the methodology through the use of an illustrative example. This Accounting Guidance includes an illustrative model (Illustrative Commodity Model) to show the RPP settlement methodology with the IESO,

¹ Commodity sales accounts 4006-4055 and commodity cost accounts 4705 and 4707.

² Includes Class A customers, as well as Class B customers and the two subsets of RPP Customers and non-RPP customers.

³ Embedded wholesale market participant customers are not billed either electricity or the global adjustment charge and such customers settle directly with the IESO.

⁴Per OEB report: Electricity Distributors' Deferral and Variance Account Review Initiative, Group 1 includes accounts that are cost pass-through or whose original balances were approved by the OEB in a previous proceeding.

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and detailed journal entries for the commodity related revenue, expense and variance account transactions in distributors' books.

A brief description of the content included in each Section is as follows.

SECTION I:

Section I provides regulatory accounting guidance related to Account 1588 RSVA_{Power} and Account 1589 RSVA_{GA}. Specifically, Section I includes:

- Recording transactions related to Energy and GA revenues in Accounts 4006-4055
- Recording transactions related to Energy and GA expenses in cost accounts 4705 and 4707
- Calculating RPP settlements with the IESO including true-ups
- Recording variances in Accounts 1588 and 1589.

SECTION II:

Section II includes the guidance related to the filing of Accounts 1588 and 1589 in rate applications. Specifically, Section II deals with:

- "Principal Adjustments" to be included on the DVA Continuity Schedule for Account 1588
- "Principal Adjustments" to be included on the DVA Continuity Schedule for Account 1589
- Reconciling items to be reflected on the GA Analysis Workform.

SECTION III:

Section III provides regulatory accounting guidance related to embedded generation energy transactions for:

- the Feed-In Tariff
- the Renewable Energy Standard Offer program
- the Hydroelectric Contract Initiative program

Guidance in Section III includes derivation of settlement calculations, submissions to the IESO, as well as the recording of the resulting journal entries impacting Account 1588 Power.

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SECTION IV:

Section IV provides guidance related to the submission of embedded generation data in the monthly reporting to the IESO which impacts Account 1589.

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SECTION I: Regulatory Accounting Guidance related to Account 1588 RSVA_{Power} and Account 1589 RSVA_{GA}

Background

Account 1588 - RSVA_{Power} is used to record net differences between power sales accrued (i.e. unbilled revenue) and billed to Regulated Price Plan (RPP) and non-RPP customers, and power costs accrued and paid to the Independent Electricity System Operator (IESO), host distributor or embedded generator⁵.

Account 1589 - RSVA_{GA} is used to record net differences between Global Adjustment (GA) accrued (i.e. unbilled revenue) and billed to non-RPP customers, and GA costs accrued and paid to the IESO or host distributor relating to Class B non-RPP customers⁶.

Revenue and cost amounts are recorded in distributors' power and GA commodity pass-through revenue and cost General Ledger (GL) accounts.

Energy and GA Transactions Recorded in Revenue Accounts 4006-4055⁷

The commodity⁸ revenue transactions for Power and GA billings are shown in this guidance for illustrative purposes.

Distributors must provide Standard Supply Service⁹ to customers and bill non-RPP customers market based electricity prices based on either the Weighted Average Hourly Spot Price (WAHSP)¹⁰, or the Hourly Ontario Energy Price (HOEP). In addition, under the Standard Supply Service Code (SSSC), distributors must bill RPP customers either the Time of Use (TOU) or 2 tier RPP prices¹¹.

The GA is billed to consumers in several different ways:

⁵ Accounting Procedures Handbook, Article 490.

⁶ Group B customers per the Electricity Act 1998, O.Reg. 429/04

⁷ See Accounting Procedures Handbook

⁸ The term "commodity" is used for both, energy and GA, and "energy" and "power" are used interchangeably in this document

⁹ As per the Standard Supply Service Code.

¹⁰ See the Retail Settlement Code for the determination of the hourly NSLS and the computations of the WAHSP using the HOEP.

¹¹ The OEB permits an RPP customer to opt out of RPP pricing and pay the HOEP price only where the customer has a meter that registers hourly consumption.

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- For RPP customers, the GA is incorporated into the standard commodity prices set by the OEB, therefore there is no variance account for the GA.
- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as “Class A” customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.
- “Class B” non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on the IESO published GA price. For Class B non-RPP customers, distributors track any difference between the billed amounts and actual costs in the Account 1589 - RSVA_{GA}.

The journal entries for transactions should be automatically generated by distributors' billing systems, and a distributor should record the unbilled revenue transactions based on its unbilled revenue processes.

The main Power and GA revenue transactions recorded include the following¹²:

- a) Billing Journals
- b) Unbilled revenue transactions
- c) Long Term Load Transfers.¹³
- d) Short Term Load Transfers¹⁴.

¹² This Accounting Guidance does not include Long-term and Short-term load transfer revenue transactions.

¹³ If applicable, since Long Term Load Transfers were to be eliminated by June 21, 2017.

¹⁴ Short-term load transfers between distributors are typically for back-up power during outages and maintenance work. The distributor who supplies power to the adjacent distributor, records commodity pass-through revenue.

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Energy and GA Transactions Recorded in Cost Accounts 4705 and 4707¹⁵

Costs for the commodity components of electricity service billed to distributors by the Independent Electricity System Operator (IESO) are recorded in Accounts 4705 Power Purchased and 4707 Charges - Global Adjustment.¹⁶

This Accounting Guidance focuses on the Power and GA commodity cost transactions that distributors pay either the IESO or their host distributor. The distributor records: the amounts invoiced by the IESO or host distributor, or an accrual for transactions for Power and GA costs not yet billed by the IESO or the host distributor, and the reversals of any accruals for prior months. The Accounting Guidance is provided for transactions based on the following IESO charge types (CT):

- CT 101** - Net Energy Market Settlement for Non-dispatchable Load
- CT 147** - Class A – Global Adjustment Settlement Amount
- CT 148** - Class B – Global Adjustment Settlement Amount
- CT 1142** - Ontario Fair Hydro Plan Eligible RPP Consumer Discount Settlement Amount
- CT 1410** - Renewable Energy Standard Offer Program Settlement Amount
- CT 1412** - Feed-In Tariff Program Settlement Amount
- CT 1414** - Hydroelectric Contract Initiative Settlement

The main Power & GA cost transactions recorded include the following¹⁷:

- a) Payment of IESO power bills
- b) IESO power bill accrual transactions
- c) Long-Term Load Transfers¹⁸
- d) Short-Term Load Transfers¹⁹

¹⁵ See Accounting Procedures Handbook

¹⁶ The IESO establishes the GA, which varies in accordance with market conditions. It is the difference between the market price and the sum of the costs paid to regulated and contracted generators and conservation and demand management (demand response) program costs.

¹⁷ This Accounting Guidance does not include Long-term and Short-term load transfer cost transactions.

¹⁸ *ibid* note 13.

¹⁹ *Ibid* note 14.

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RPP Settlements Guidance

Distributors are required to make RPP settlement claims with the IESO²⁰ for each trade month (i.e. calendar month). Through these claims distributors will recover/return the differences between amounts billed to RPP customers for commodity costs, and amounts charged by the IESO to distributors based on the HOEP plus GA. The IESO bills distributors for RPP settlement claims through CT 1142 which distributors calculate and file with the IESO by the 4th business day after the month-end, based on estimated calendar month kWh consumption sales volumes. These consumption sales volumes, which are adjusted for losses, must coincide with the wholesale calendar month kWh volumes billed by the IESO to distributors.

Since initial RPP settlements must be made by the 4th business day after the trade month/calendar month being settled, distributors must make estimates for costs and revenues as the actual customer consumption volume data is not available until all billings have been completed. Distributors are expected to make relatively accurate estimates by day 4 when submitting the monthly RPP settlement claims to the IESO.

Estimated Volume Data for Initial IESO RPP Settlement Claim

When calculating initial RPP settlement claims, estimates are made for the following kWh consumption volume data²¹:

1. RPP customer kWh sales consumption volumes²² at each RPP rate point:
 - a) RPP TOU
 - On-Peak
 - Mid-Peak
 - Off-Peak
 - b) RPP Two Tiers
 - Tier 1
 - Tier 2

2. Non-RPP customer kWh sales consumption volumes.

The aggregate of each of the RPP and non-RPP sales consumption volumes are also to be used to allocate the initial GA costs between Accounts 4705 and 4707²³.

²⁰ The illustrative example focuses on settlements directly with the IESO. Settlements with a Host Distributor by an embedded distributor would be similar.

²¹ Note, the determination of the volume data used in settlements is outside the scope of this Accounting Guidance.

²² Loss adjusted sales volumes data.

²³ Note the sum of the RPP and non-RPP kWh consumption volumes must correspond with the total volumes of energy purchased from the IESO. Differences should only relate to unaccounted for energy (i.e. losses).

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Rate/Pricing and Unit Cost Data for Initial IESO RPP Settlement Claim

The following rates/pricing and unit cost data are to be used by distributors when performing initial RPP settlement calculations:

- a) Each of the three RPP TOU periods:
 - On-Peak
 - Mid-Peak
 - Off-Peak
- b) Each of the two RPP Tiers
 - Tier 1
 - Tier 2
- c) Estimated Average Energy Price for RPP customers
- d) GA 2nd Estimate

Distributors must use the GA 2nd estimate price in the initial RPP settlement claim on day 4 after month-end, since the actual GA price is not known until the IESO issues its invoice for the calendar month.

IESO RPP Settlement True-Up Claims

Actual data must be used to perform RPP settlement true-up claims with the IESO once it is available. The most recent initial RPP settlement claim for the trade/calendar month must be reversed and an updated RPP settlement claim must be calculated. The net difference between the most recent RPP settlement claim and the updated RPP settlement claim must be trued up with the IESO through an adjustment made to the RPP settlement claim the next month.

Two RPP settlement true-up claims are to be performed²⁴:

- a) The first true-up is done the month following the initial RPP settlement claim. The first true-up relates to the update of the GA 2nd estimate price with the actual GA price.²⁵ In addition, this would include any differences between estimated and actual wholesale power cost at the HOEP.

²⁴ Some distributors may perform additional RPP settlement true-ups. This is acceptable, as long as the final RPP settlement true-up is based on actual consumption volumes. In addition, when distributors seek disposition of the balances of the commodity pass through accounts, all RPP settlement true-up amounts must be reflected in the balances for the year to which they relate.

²⁵ The actual GA price will be based on the total billed CT 148 on the IESO bill divided by the aggregate Class B volumes.

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- b) The second true-up is done once the actual kWh sales volumes for RPP settlements are known. Actual kWh volumes should be known no later than the third month after the trade/calendar month, with the majority of distributors having actual kWh sales volumes by the end of the second month.

Monthly RPP settlements claims with the IESO will be made up of three components:

- a) The initial RPP settlement claim with the IESO for the current trade/calendar month, 4 business days after the end of the current month.
- b) First true-up for the GA and Power price for the previous month.
- c) Second true-up for the actual kWh sales volumes for either two months or three months prior depending on when a distributor has actual data available.

The OEB requires distributors to true-up all elements of the revenues and expenses used for RPP settlements which ultimately impact Account 1588 - RSVA_{Power}, and Account 1589 - RSVA_{GA}. Timely true-ups are necessary to ensure that the variances attributable to RPP and non-RPP customers are minimized, and the amounts that are accumulated are done so in the correct commodity account, and are then subsequently disposed to the correct group of customers.

Note that actual calendar month customer kWh sales volumes adjusted for the relevant Total Loss Factor (TLF) will not be the same as purchased volumes from the IESO. Differences exist between actual system losses and TLF billed to customers. The resulting differences are defined as unaccounted for energy (UFE) and such differences will be tracked in Account 1588 - RSVA_{Power} and Account 1589 - RSVA_{GA}. Actual calendar month kWh consumption sales volumes for RPP and non-RPP customers must be used to update the apportionment of the wholesale kWh purchase volumes to the appropriate commodity variance account. Once actual data is available, distributors are to journalize the differences between the two cost accounts 4705 and 4707.

Implementation and Transitional Matters

The OEB requires distributors to implement the standardized procedures by August 31, 2019 retroactive to January 2019. The OEB may provide further guidance in 2019 to standardize the approach for distributors in determining the actual kWh consumption volume data for non-RPP customers, and for RPP customers for each of the three TOU time periods and two-tier pricing periods.

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As a result of implementing the new guidance, it is expected that some distributors may experience one-time transitional adjustments during the first quarter of 2019 in order to align the actual kWh volumes used for settlement with the new RPP settlement methodology. These adjustments need to be explained and reconciled by distributors at the next rate application when they request disposition for the account balances.

Illustrative RPP Settlement and Accounting Transactions Example:

The OEB presents a comprehensive example to illustrate how the costs and revenues impacting Accounts 1588 - RSVA_{Power} and 1589 - RSVA_{GA} should be recorded in a distributor's accounts to ensure the accuracy of the two commodity pass-through variance account balances.

The OEB has created a spreadsheet model (Illustrative Commodity Model) to illustrate the methodology that the distributors are required to employ for RPP Settlements and for recording journal entries in the GL. The focus of this example is commodity pass-through Accounts 4705 Power Purchased and 4707 Charges - GA²⁶. The Illustrative Commodity Model includes the following separate tabs:

- Data for settlement & 1st true-up
- RPP settlement & 1st true-up
- Data for 2nd true-up
- RPP 2nd true-up
- RPP vs non-RPP true-up Journal Entry
- Rate Application Related
- Final RSVA Balances
- Journal Entries
- T-Accounts

The live Illustrative Commodity Model is intended to assist distributors in their RPP settlements with the IESO and for recording monthly commodity accounting transactions.

The example below (replicated from the Illustrative Commodity Model) shows the various journal entries required by distributors on a monthly basis to record the commodity flow-through transactions. The example data is for the month of December 2017. All supporting data and calculations from the Illustrative Commodity Model are provided for each journal entry.

²⁶ Illustrative revenue transactions have been provided; however, such transactions have been adapted to enable the isolation of a single consumption month of commodity flow through transactions.

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Journal Entry #1 (for calculations, see Table 6 later in this Accounting Guidance)

Accrue Account 4705 – Power Purchased and Account 4707 – Charges GA based on estimated wholesale volumes purchased for RPP²⁷ and non-RPP customers and 2nd estimate for GA price. This entry is focused on the commodity cost accounts. However, distributors are expected to accrue other commodity pass-through costs to the appropriate USoA accounts that they will be invoiced by the IESO or their host distributor. This entry is an important aspect of accrual accounting. All distributors are expected to be accruing the cost of power bill each month. For those distributors that leave their books open until the IESO or host distributor bill for the month comes in, this entry would be reversed in the same month as accrued, with the IESO or host distributor bill being recorded in the same month as well. This is one of the key regular month-end entries distributors should make because the information established when performing RPP Settlement claims with the IESO should be used in this accrual entry.

The initial RPP settlement amount (CT 1142) is calculated on business day 4 after month-end (Table 19), based on estimated RPP kWh volumes at each TOU price and each 2-tiered price. The GA price used is the 2nd estimate (best estimate available at the time).

Total estimated Class B RPP and non-RPP kWh volumes used for RPP settlement purposes should not be materially different from the purchased volumes from the IESO, other than UFE differences²⁸.

The entry below is the monthly entry to record power expense accruals for December. This entry is to be reversed in January. Actual expenses would be recorded when the IESO invoice is received in January.

²⁷ Distributor may use a methodology that is best suited for obtaining best estimates of monthly volumes at each RPP rate.

²⁸ UFE is the difference, in volumes and amounts, related to actual system losses and the aggregate of Total Losses billed to customers.

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Tables 1-6 and 19 later in this Accounting Guidance provide the data and the supporting calculations for JE #1 below.

December 31, 2017			
JE #1 - IESO Cost of Power Accrual			
Description	DR	CR	
Dr. Account 4705 - Power Purchased from Embedded Generators ¹	\$ 5,200,000		
Dr. Account 4705 - Power Purchased (CT 101)	\$ 15,434,563		
Dr. Account 4705 - Power Purchased - RPP GA Charges (CT 148)	\$ 17,707,500		
Dr. Account 4707 - GA Charges - Class A non-RPP (CT 147)	\$ 1,850,000		
Dr. Account 4707 - GA Charges - Class B non-RPP (CT 148)	\$ 21,642,500		
Cr. Account 4705 - Power Purchased (CT 1142)		\$ 4,271,000	
Cr. Account 4705 - Power Purchased (CT 1412)		\$ 4,965,699	
Cr. Account 2256 - IESO Accounts Payable		\$ 52,597,864	
	<u>\$ 61,834,563</u>	<u>\$ 61,834,563</u>	

To accrue commodity cost of power expenses. Accrual of expenses for CT 101, CT 147, CT 148, and CT 1142. See JE #4 for reversal entry in January 2018.

¹ Accruals for payments to Embedded Generators included in cost of power accrual.

Journal Entry #2 (for calculations, see Tables 7 & 8 later in this Accounting Guidance)

Accrue billed/unbilled²⁹ revenues based on estimated RPP and Non-RPP kWh. This entry combines billed and unbilled revenue for illustrative purposes. Although this example is focused only on the commodity accounts, distributors are expected to record unbilled revenue for all components of the invoices to customers which have not been invoiced by the end of each month.

Distributors already have billing systems and processes in place to record the Billing Journal entries that get allocated to the various Revenue, Accounts Receivable and other USoA accounts.

As stated above, distributors are expected to be performing unbilled revenue accruals on a monthly basis. The unbilled revenue entry is an important aspect of accrual accounting. Distributors must accrue all revenues (all components of the customer bills) they expect to invoice their customers, embedded distributors, and short term and long term load transfers³⁰ for all energy and demand consumed but not billed and recorded in the accounts, by the end of each month. All appropriate USoA accounts are to be

²⁹ For simplicity, the net of billed sales less prior month unbilled revenue, plus current month's unbilled revenue have been combined in the example, since the net of the three entries would be summed to provide information for the estimated revenues which would be used for settlement purposes.

³⁰ Ibid. Note 13

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used for the unbilled revenue accrual, i.e. the same revenue accounts that are used for billing purposes.

The GA price used in this example is the 1st estimate. However, if the distributor uses the GA 2nd estimate and/or the GA actual price for billing then this entry should be made using the appropriate price(s). The GA price used for unbilled revenue purposes must be at the same price for which customers will ultimately be invoiced³¹.

The entry below (JE #2) is a monthly accrual entry for unbilled revenues. The December 2017 entry is to be reversed in January 2018.

December 31, 2017
JE #2 - Revenue Estimate

Description	DR	CR
Dr. Accounts Receivable	\$ 60,077,864	
Cr. Billings Energy Sales Accounts 4006-4055 RPP		\$ 20,524,000
Cr. Billings Energy Sales Accounts 4006-4055 non-RPP		\$ 8,581,364
Cr. Billings Energy Sales Accounts 4006-4055 Class A non-RPP GA		\$ 1,850,000
Cr. Billings Energy Sales Accounts 4006-4055 Class B non-RPP GA		\$ 29,122,500
	<u>\$ 60,077,864</u>	<u>\$ 60,077,864</u>

To accrue billings minus the previous months unbilled revenue plus the current month's unbilled revenues implicit in GL 4006 - 4055 for the month. See JE #5 for reversal entry in January 2018. **The revenue estimate is shown as a single entry for illustrative purposes. Billing entries would come from daily Billing Journal transactions and the other components would be from the December 2017 month-end unbilled revenue accruals and the reversal of the November 2017 unbilled revenue accruals would be the remaining two journal entry sources.**

Journal Entry #3

Record the monthly RSVA entry for Accounts 1588 and 1589 as per the regulatory requirements in APH Article 490. An entry to Account 1588 could be required depending on whether or not a distributor accrues any differences between Revenue and Cost of Power in its month-end entries. This is a standard entry that distributors should already be doing as part of their month end processes. See T-Account tab in the Illustrative Commodity Model, entries "a" and "b" in the notes column.

³¹ Where a distributor uses the actual GA price for billing, and the actual GA price is not available when the unbilled revenue is booked, the distributor should use the most current pricing information available for unbilled revenue purposes. The difference between unbilled and actual GA would need to be reflected in the balance of the account for the year to which it relates.

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December 31, 2017

JE #3 - December RSVA Entry

Description	DR	CR
Dr. Billings Energy Sales Accounts 4006-4055 Sub-account GA	\$ 7,480,000	
Cr. Account 1589 RSVA GA		\$ 7,480,000
	<u>\$ 7,480,000</u>	<u>\$ 7,480,000</u>

To record the monthly RSVA entry for December 2017. No entry to Account 1588 as revenues and costs are equal.

Journal Entry #4

Record the reversal entry for cost of power accruals.

January 1, 2018

JE #4 - IESO Cost of Power Reversal

Description	DR	CR
Dr. Account 4705 - Power Purchased (CT 1142)	\$ 4,271,000	
Dr. Account 4705 - Power Purchased (CT 1412)	\$ 4,965,699	
Dr. Account 2256 - IESO Accounts Payable	\$ 52,597,864	
Cr. Account 4705 - Power Purchased from Embedded Generators		\$ 5,200,000
Cr. Account 4705 - Power Purchased (CT 101)		\$ 15,434,563
Cr. Account 4705 - Power Purchased - RPP GA Charges (CT 148)		\$ 17,707,500
Cr. Account 4707 - GA Charges - Class A non-RPP (CT 147)		\$ 1,850,000
Cr. Account 4707 - GA Charges - Class B non-RPP (CT 148)		\$ 21,642,500
	<u>\$ 61,834,563</u>	<u>\$ 61,834,563</u>

To reverse JE #1 cost of power accrual.

Journal Entry #5

Record the reversal entries for revenue billings and accruals.

January 1, 2018

JE #5 - Reversal of Revenue Estimate Accrual

Description	DR	CR
Dr. Billings Energy Sales Accounts 4006-4055-RPP	\$ 20,524,000	
Dr. Billings Energy Sales Accounts 4006-4055-non-RPP	\$ 8,581,364	
Dr. Billings Energy Sales Accounts 4006-4055-Class A non-RPP GA	\$ 1,850,000	
Dr. Billings Energy Sales Accounts 4006-4055-Class B non-RPP GA	\$ 29,122,500	
Cr. Accounts Receivable		\$ 60,077,864
	<u>\$ 60,077,864</u>	<u>\$ 60,077,864</u>

To reverse revenue related accrual per JE #2. **For illustrative purposes, the entire JE #2 is shown as a reversal, in practice, only the unbilled revenue journal entry from December 2017 would be reversed.**

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Journal Entry #6 (for calculations, see Tables 15 & 19)

Upon receiving the IESO invoice on the 10th business day after the month-end, record IESO CT 101, CT 147, CT 148, CT 1142, and CT 1412³². Many distributors are already booking their IESO bill as shown in this journal entry for the commodity pass-through charges. However, for those distributors that are not, they are expected to follow this guidance. Please review Table 15 for an example supporting this journal entry. Also, Table 19 provides the detailed calculation for the determination of the CT 1142 amount, which is the RPP settlement claim. Note the underpinning data and calculations to determine the RPP settlements amounts include using estimated proportions for RPP and non-RPP, and 2nd estimate for GA price.

JE #6 records the actual IESO invoice.

January 16, 2018			
JE #6 - IESO Cost of Power Invoice			
Description	DR	CR	
Dr. Account 4705 - Actual Payments to Embedded Generators ²	\$ 5,200,000		
Dr. Account 4705 - Power Purchased (CT 101)	\$ 15,520,434		
Dr. Account 4707 - GA Charges - Class A non-RPP (CT 147)	\$ 1,980,000		
Dr. Account 4705 - Power Purchased - RPP GA Charges (CT 148)	\$ 19,890,799		
Dr. Account 4707 - GA Charges - Class B non-RPP (CT 148)	\$ 24,310,976		
Cr. Account 4705 - Power Purchased (CT 1142)		\$ 4,271,000	
Cr. Account 4705 - FIT program settlement amount (CT 1412)		\$ 4,965,699	
Cr. Account 2256 - IESO Accounts Payable		\$ 57,665,510	
	<u>\$ 66,902,209</u>	<u>\$ 66,902,209</u>	

To record Actual charges re. CT 101, CT 147, CT 148, 1142, and CT 1412 on IESO invoice (on 10th business day of January 2018) into Power Purchased and actual GA charges based on estimated RPP/Non-RPP proportions.

² Payments to Embedded Generators included for illustrative purposes; these payments would actually be negative billed through a distributors billing system, with payments to embedded generators.

³² Distributors may have other commodity charges on their IESO or host distributor invoices. See embedded generator accounting guidance provided.

Accounting Procedures Handbook Update

Accounting Guidance related to Commodity Pass-Through Accounts

Journal Entry #7 (for calculations see Tables 19 – 21)

Perform updated calculations for the RPP settlement true-up based on the actual GA and power amount billed and kWh volume data per the IESO or host distributor invoice received in January. The amount calculated in Table 20 is the updated RPP settlement amount for December consumption based on total actual wholesale kWh, actual GA prices³³ and updated estimated energy prices. RPP total kWh sales volumes are estimated, as is the kWh consumption at each RPP price. The difference between CT 1142 on the January invoice and the updated amount is a credit of \$2,255,101 recorded in January and settled with the IESO or host distributor on business day 4 of February 2018. Table 21 provides the true up values and kWh volumes to be included with the January RPP Settlement Claim. This is a key monthly entry to be booked each month for the previous month.

January 31, 2018			
JE #7 - RPP Settlement 1st True-Up			
Description	DR	CR	
Dr. Account 2256 - IESO Accounts Payable reduction	2,255,101		
Cr. Account 4705 - Power Purchased			2,255,101
	<u>\$ 2,255,101</u>	<u>\$</u>	<u>2,255,101</u>

To record RPP Settlement 1st true-up for CT 1142 on business day 4 of February 2018 for the difference between GA 2nd Estimate price and GA Actual price (based on CT 148 total amount) and for actual wholesale kWh volumes.

³³ Total CT 148 amount divided by total Class B volumes for GA.

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Accounting Guidance related to Commodity Pass-Through Accounts

Data for Settlements and 1st True-up

Data for Initial RPP Settlement based on Estimates on Day 4 January 5, 2018:

Table 1: Wholesale Volume data used for Cost of Power Accrual:

	GA RPP/non-RPP Ratios	GA Volumes	Energy Volumes
AQEW ¹		527,000,000	527,000,000
Embedded Generation ²		8,000,000	8,000,000
Class A customer Volumes for GA (TLF included)		(35,000,000)	
		500,000,000	535,000,000
Estimated RPP Quantity Proportion	45.00%	225,000,000	225,000,000
Estimated non-RPP Quantity Proportion	55.00%	275,000,000	310,000,000
Wholesale kWh Volumes	100.00%	500,000,000	535,000,000

Notes for Table 1:

¹ Allocated Quantity of Energy Withdrawn (AQEW) is the aggregate kWh energy withdrawn by a distributor from the transmission grid based on quantities as per delivery point energy totalization tables. The volumes purchased for GA in Table 1 are different from the volumes for energy as Class A customers are charged GA through a separate CT.

² The aggregate kWhs generated by embedded generators in the distributor's service territory during the month, net of generated quantities injected into the transmission grid.

Table 2: Estimated Volumes purchased for RPP Customers (TLF Included)

	Estimated %	kWh Volumes
Tier 1	2.22%	5,000,000
Tier 2	3.11%	7,000,000
TOU Off-peak	44.44%	100,000,000
TOU Mid-peak	22.22%	50,000,000
TOU On-peak	28.00%	63,000,000
	100.00%	225,000,000

Table 3: Estimated Retail Volume Revenue Data (TLF Included)³

	RPP/non-RPP Ratios	GA Volumes	Energy Volumes
Estimated Retail Revenue Data (Net of Retail Billed/Unbilled)		500,000,000	535,000,000
Estimated RPP Quantities	45.00%	225,000,000	225,000,000
Estimated non-RPP Quantities	55.00%	275,000,000	310,000,000
Estimated Retail Revenue kWh Volumes	100.00%	500,000,000	535,000,000

Notes for Table 3:

³ Total estimated Class B RPP & non-RPP kWh volumes used for RPP settlement purposes must be consistent with purchased volumes from the IESO, other than UFE difference, for the month.

Accounting Procedures Handbook Update

Accounting Guidance related to Commodity Pass-Through Accounts

Table 4: Estimated RPP Revenue Volume and Price Data

	Estimated %	kWh Volumes	RPP Price/kWh
Tier 1	2.22%	5,000,000	\$ 0.077
Tier 2	3.11%	7,000,000	\$ 0.089
TOU Off-peak	44.44%	100,000,000	\$ 0.065
TOU Mid-peak	22.22%	50,000,000	\$ 0.094
TOU On-peak	28.00%	63,000,000	\$ 0.132
	100.00%	225,000,000	

Table 5: Commodity Price Data:

Commodity Prices	Wholesale Prices per kWh
Estimated Average Energy Price for RPP customers	\$ 0.0315
Estimated Average Energy Price for non-RPP customers	\$ 0.0277
GA 1st estimate	\$ 0.1059
GA 2nd estimate	\$ 0.0787

Commodity Cost of Power Accrual:

Table 6: Commodity Cost of Power Accrual

	Cost/kWh	kWh Volumes	Amount
Estimated Payments to Embedded Generators - 4705 ⁴	\$ 0.6500	8,000,000	\$ 5,200,000
Charge Type 101 - 4705	\$ 0.0293	527,000,000	\$ 15,434,563
Charge Type 147 - non-RPP Class A - 4707 ⁵			\$ 1,850,000
Charge Type 148 - RPP - 4705	\$ 0.0787	225,000,000	\$ 17,707,500
Charge Type 148 - non-RPP Class B - 4707	\$ 0.0787	275,000,000	\$ 21,642,500
Charge Type 1142 - RPP - 4705 - RPP Settlement - Day 4 Settlement			\$ (4,271,000)
Charge Type 1412 - FIT Program Settlement Amount - 4705 ⁶	\$ (0.6207)	8,000,000	\$ (4,965,699)
Commodity cost of power accrual			\$ 52,597,864

Notes for Table 6:

⁴ Based on the aggregate amounts to be paid to the embedded generator.

⁵ Class A is the sum of amounts for each Class A customer as calculated by multiplying the customer specific peak demand factor by the provincial actual total GA dollars.

⁶ Based on difference between amounts paid to the embedded generator and the wholesale market cost of power amount to be used in embedded generator settlement with the IESO.

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Accounting Guidance related to Commodity Pass-Through Accounts

Estimated Net Accrued & Billed Revenue from RPP & non-RPP Customers:

Table 7: RPP Commodity Revenue

	RPP Price/kWh	kWh Volumes	Amount
Tier 1	\$ 0.0770	5,000,000	\$ 385,000
Tier 2	\$ 0.0890	7,000,000	\$ 623,000
TOU Off-peak	\$ 0.0650	100,000,000	\$ 6,500,000
TOU Mid-peak	\$ 0.0940	50,000,000	\$ 4,700,000
TOU On-peak	\$ 0.1320	63,000,000	\$ 8,316,000
Total Estimated Revenue		225,000,000	\$ 20,524,000

Table 8: non-RPP Energy and GA Revenue Accrual

	Cost/kWh	kWh Volumes	Amount
Estimated non-RPP Energy Revenue	\$ 0.0277	310,000,000	\$ 8,581,364
Estimated Class A non-RPP GA Revenue at PDF			\$ 1,850,000
Class B non-RPP GA Revenue at 1st estimate	\$ 0.1059	275,000,000	\$ 29,122,500
			\$ 39,553,864

Table 9: Estimated average unit price of power sold for RPP & non-RPP for Initial Settlement

	Cost/kWh	kWh Volumes	Amount
Estimated RPP power sales volumes and revenues	\$ 0.0315	225,000,000	\$ 7,087,500
Estimated Non-RPP power sales volumes and revenues	\$ 0.0277	310,000,000	\$ 8,581,364
	\$ 0.0293	535,000,000	\$ 15,668,864

Estimated average unit prices of power for RPP and non-RPP for settlement (Table 9) are typically different because the load profiles for each group of customers are different. Non-RPP customers load profiles in general have more off peak consumption than RPP customers do.

Data for 1st True up of RPP Settlement based on Actual IESO Invoice on February 6, 2018:

Table 10: Wholesale Volume data per IESO Power Bill:

	GA RPP/non-RPP Ratios	GA Volumes	Energy Volumes
AQEW		527,250,000	527,250,000
Embedded Generation		8,000,000	8,000,000
Class A customer Volumes for GA (TLF included)		(35,000,000)	
		500,250,000	535,250,000
Estimated RPP Quantity Proportion	45.00%	225,112,500	225,112,500
Estimated non-RPP Quantity Proportion	55.00%	275,137,500	310,137,500
Wholesale kWh Volumes	100.00%	500,250,000	535,250,000

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Accounting Guidance related to Commodity Pass-Through Accounts

Table 11: Updated estimated Volumes purchased for RPP Customers (TLF Included)

	Estimated %	kWh Volumes
Tier 1	2.22%	5,002,500
Tier 2	3.11%	7,003,500
TOU Off-peak	44.44%	100,050,000
TOU Mid-peak	22.22%	50,025,000
TOU On-peak	28.00%	63,031,500
	100.00%	225,112,500

Table 12: Estimated Retail Volume Revenue Data (TLF Included)

	RPP/non-RPP Ratios	GA Volumes	Energy Volumes
Estimated Retail Revenue Data (Net of Retail Billed/Unbilled)		500,000,000	535,000,000
Estimated RPP Sales Quantities	45.00%	225,000,000	225,000,000
Estimated non-RPP Sales Quantities	55.00%	275,000,000	310,000,000
Estimated Retail Revenue kWh Volumes	100.00%	500,000,000	535,000,000

Table 13: Estimated RPP Revenue Volume and Price Data

	Actual %	kWh Volumes	RPP Price/kWh
Tier 1	2.22%	5,000,000	\$ 0.077
Tier 2	3.11%	7,000,000	\$ 0.089
TOU Off-peak	44.44%	100,000,000	\$ 0.065
TOU Mid-peak	22.22%	50,000,000	\$ 0.094
TOU On-peak	28.00%	63,000,000	\$ 0.132
	100.00%	225,000,000	

Table 14: Commodity Price Data:

Commodity Prices	Wholesale Prices per kWh	
Estimated Average Energy Price for RPP customers	\$	0.0318
Estimated Average Energy Price for non-RPP customers ⁷	\$	0.0277
GA 1st estimate	\$	0.1059
GA 2nd estimate	\$	0.0787
Class B - GA actual ⁸	\$	0.0871
Class B - GA actual IESO billed ⁹	\$	0.0884
	\$	44,201,775
		GA Posted Price
		GA Billed by IESO CT 148

Notes for Table 14:

⁷ Unit energy price for Class B non-RPP customers remains the same until actual sales data available.

⁸ Where there is a difference between the Class B GA actual posted price and the Charge Type 148 – Class B GA Actual IESO billed price, then such difference should be confirmed with the IESO.

⁹ Actual GA billed price based on actual charges for CT 148 on IESO invoice divided by actual wholesale volumes.

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Accounting Guidance related to Commodity Pass-Through Accounts

Commodity Cost of Power per IESO Invoice:

Table 15: Commodity Cost of Power Billed by IESO

	Cost/kWh	kWh Volumes	Amount
Actual Payments to Embedded Generators - 4705	\$ 0.6500	8,000,000	\$ 5,200,000
Charge Type 101 - 4705	\$ 0.0294	527,250,000	\$ 15,520,434
Charge Type 147 - non-RPP Class A - 4707 ¹⁰			\$ 1,980,000
Charge Type 148 - RPP - 4705	\$ 0.0884	225,112,500	\$ 19,890,799
Charge Type 148 - non-RPP - 4707	\$ 0.0884	275,137,500	\$ 24,310,976
Charge Type 1142 - RPP - 4705 - RPP Settlement - Revised Settlement Amount ¹¹			\$ (4,271,000)
Charge Type 1412 - FIT Program Settlement Amount - 4705	\$ (0.6207)	8,000,000	\$ (4,965,699)
Actual cost of power			\$ 57,665,510

Notes for Table 15:

¹⁰ Actual GA billed price based on actual charges for CT 147 on IESO invoice.

¹¹ This is the initial RPP settlement amount.

Updated Estimated Net Accrued & Billed Revenue from RPP & non-RPP Customers:

Table 16: RPP Commodity Revenue

	RPP		
	Price/kWh	kWh Volumes	Amount
Tier 1	\$ 0.0770	5,000,000	\$ 385,000
Tier 2	\$ 0.0890	7,000,000	\$ 623,000
TOU Off-peak	\$ 0.0650	100,000,000	\$ 6,500,000
TOU Mid-peak	\$ 0.0940	50,000,000	\$ 4,700,000
TOU On-peak	\$ 0.1320	63,000,000	\$ 8,316,000
Total Actual Revenue		225,000,000	\$ 20,524,000

Table 17: Updated non-RPP Energy and GA Revenue Accrual

	Cost/kWh	kWh Volumes	Amount
Estimated non-RPP Energy Revenue	\$ 0.0277	310,000,000	\$ 8,581,364
Actual Class A non-RPP GA Revenue at PDF			\$ 1,980,000
Class B non-RPP GA Revenue at 1st estimate	\$ 0.1059	275,000,000	\$ 29,122,500
			\$ 39,683,864

Table 18: Updated Estimated Average unit cost of power for RPP & non-RPP for 1st True-up

	Cost/kWh	kWh Volumes	Amount ¹²
Updated Estimated RPP power sales volumes and revenues	\$ 0.0318	225,000,000	\$ 7,165,982
Updated Estimated Non-RPP power sales volumes and revenues	\$ 0.0277	310,000,000	\$ 8,581,364
	\$ 0.0294	535,000,000	\$ 15,747,345

Notes for Table 18:

¹² The unit cost for RPP customers is updated due to the change in commodity costs paid to the IESO. It is assumed that the unit cost of power for non-RPP customers remains the same as what was used in the initial RPP settlement. The unit cost of power for RPP customers is a derived residual amount. The difference between the Commodity cost paid to the IESO and the Commodity cost relating to RPP customers pertains to the unaccounted for energy.

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Accounting Guidance related to Commodity Pass-Through Accounts

Initial RPP Settlement and 1st True-UP

Initial RPP Settlement Calculation on Business Day 4 of January 2018

Table 19: Estimated RPP Revenue and GA 2nd Estimate

RPP Revenue Prices	RPP Rate	Estimated RPP Energy Price	GA 2nd Estimate	Total Commodity	Difference	kWh Volumes	\$ Estimated RPP Revenue	\$ Estimated RPP Energy	\$ Estimated GA	\$ Estimated RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0315	\$ 0.0787	\$ 0.1102	-\$ 0.0332	5,000,000	\$ 385,000	\$ 157,500	\$ 393,500	\$ (166,000)
Tier 2	\$ 0.0890	\$ 0.0315	\$ 0.0787	\$ 0.1102	-\$ 0.0212	7,000,000	\$ 623,000	\$ 220,500	\$ 550,900	\$ (148,400)
TOU Off-peak	\$ 0.0650	\$ 0.0315	\$ 0.0787	\$ 0.1102	-\$ 0.0452	100,000,000	\$ 6,500,000	\$ 3,150,000	\$ 7,870,000	\$ (4,520,000)
TOU Mid-peak	\$ 0.0940	\$ 0.0315	\$ 0.0787	\$ 0.1102	-\$ 0.0162	50,000,000	\$ 4,700,000	\$ 1,575,000	\$ 3,935,000	\$ (810,000)
TOU On-peak	\$ 0.1320	\$ 0.0315	\$ 0.0787	\$ 0.1102	\$ 0.0218	63,000,000	\$ 8,316,000	\$ 1,984,500	\$ 4,958,100	\$ 1,373,400
	\$ 0.0912					225,000,000	\$ 20,524,000	\$ 7,087,500	\$ 17,707,500	\$ (4,271,000)

RPP Settlement Calculation on Business Day 4 of February 2018 based on Actual GA Price

Table 20: Revised RPP Settlement based on Estimated RPP Revenue and Actual GA Price

RPP Revenue Prices	RPP Rate	Estimated RPP Energy Price	GA Actual ¹³	Total Commodity	Difference	kWh Volumes	\$ Estimated RPP Revenue	\$ Estimated RPP Energy	\$ Actual GA	\$ Estimated RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0432	5,002,500	\$ 385,193	\$ 159,324	\$ 442,018	\$ (216,149)
Tier 2	\$ 0.0890	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0312	7,003,500	\$ 623,312	\$ 223,053	\$ 618,825	\$ (218,566)
TOU Off-peak	\$ 0.0650	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0552	100,050,000	\$ 6,503,250	\$ 3,186,473	\$ 8,840,355	\$ (5,523,578)
TOU Mid-peak	\$ 0.0940	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0262	50,025,000	\$ 4,702,350	\$ 1,593,237	\$ 4,420,178	\$ (1,311,064)
TOU On-peak	\$ 0.1320	\$ 0.0318	\$ 0.0884	\$ 0.1202	\$ 0.0118	63,031,500	\$ 8,320,158	\$ 2,007,478	\$ 5,569,424	\$ 743,256
	\$ 0.0912					225,112,500	\$ 20,534,262	\$ 7,169,565	\$ 19,890,799	\$ (6,526,101)

1st RPP Settlement True-up based on Actual GA Price

Table 21: True-up of 2nd Estimate GA to Actual GA Price

True-Up elements	RPP Rate	RPP Energy Price Difference	GA Price Difference	Total Commodity	Difference	kWh Volumes	\$ True-Up RPP Revenue	\$ True-up RPP Energy	\$ True-up GA	\$ RPP Settlement True-UP
Tier 1	\$ -	\$ (0.0003)	\$ (0.0097)	\$ (0.0100)	\$ 0.0100	(2,500)	\$ 193	\$ 1,824	\$ 48,518	\$ (50,149)
Tier 2	\$ -	\$ (0.0003)	\$ (0.0097)	\$ (0.0100)	\$ 0.0100	(3,500)	\$ 312	\$ 2,553	\$ 67,925	\$ (70,166)
TOU Off-peak	\$ -	\$ (0.0003)	\$ (0.0097)	\$ (0.0100)	\$ 0.0100	(50,000)	\$ 3,250	\$ 36,473	\$ 970,355	\$ (1,003,578)
TOU Mid-peak	\$ -	\$ (0.0003)	\$ (0.0097)	\$ (0.0100)	\$ 0.0100	(25,000)	\$ 2,350	\$ 18,237	\$ 485,178	\$ (501,064)
TOU On-peak	\$ -	\$ (0.0003)	\$ (0.0097)	\$ (0.0100)	\$ 0.0100	(31,500)	\$ 4,158	\$ 22,978	\$ 611,324	\$ (630,144)
						(112,500)	\$ 10,262	\$ 82,065	\$ 2,183,299	\$ (2,255,101)

¹³ - Settlement Based on Actual unit GA billed by the IESO (not the Actual GA posted Rate)

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Accounting Guidance related to Commodity Pass-Through Accounts

Journal Entry #8 (see “Amount billed” column per Tables 16A and 17A later in this Accounting Guidance)

Record billings in January 2018 for December consumption and accrue unbilled commodity revenues as of January 31, 2018 for December consumption.

January 31, 2018

JE #8 - Revenue Billed in January for December consumption

Description	DR	CR
Dr. Accounts Receivable	\$ 31,093,932	
Cr. Billings Energy Sales Accounts 4006-4055 RPP		\$ 10,262,000
Cr. Billings Energy Sales Accounts 4006-4055 non-RPP		\$ 4,290,682
Cr. Billings Energy Sales Accounts 4006-4055 Class A non-RPP GA		\$ 1,980,000
Cr. Billings Energy Sales Accounts 4006-4055 Class B non-RPP GA		\$ 14,561,250
	<u>\$ 31,093,932</u>	<u>\$ 31,093,932</u>

To record the billings in January 2018 relating to December 2017 consumption. **For illustrative purposes the portion of billings in January 2018 that relate to December 2017 is being shown. In this example it is assumed that half of the December 2017 consumption is billed in January 2018 and the balance is billed in February 2018. In actual practice billings during the month of January 2018 may include billings for November 2017, December 2017 and January 2018 calendar month consumption.**

Journal Entry #9 (see “Amount Unbilled” column per Tables 16A and 17A later in this Accounting Guidance)

January 31, 2018

JE #9 - Unbilled Revenue accrued for December consumption

Description	DR	CR
Dr. Accounts Receivable	\$ 29,113,932	
Cr. Billings Energy Sales Accounts 4006-4055 RPP - unbilled		\$ 10,262,000
Cr. Billings Energy Sales Accounts 4006-4055 non-RPP - unbilled		\$ 4,290,682
Cr. Billings Energy Sales Accounts 4006-4055 Class B non-RPP GA - unbilled		\$ 14,561,250
	<u>\$ 29,113,932</u>	<u>\$ 29,113,932</u>

To record the unbilled revenue at the end of January 2018 relating to the portion of December 2017 consumption that still has not been billed by the end of January 2018. This entry will be reversed in February, (see JE #11). **For illustrative purposes it is assumed that a portion of December 2017 consumption has still not been billed by the end of January 2018. In this example it is also assumed that the actual consumption related to this unbilled revenue entry is billed in February 2018. Note, the unbilled revenue relating to the January 2018 consumption has not been incorporated into this example. The focus of the illustrative example relates to transactions for December 2017 consumption only.**

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Accounting Guidance related to Commodity Pass-Through Accounts

January 2018 Billed and Unbilled Revenue from RPP & non-RPP Customers for December consumption:

Table 16A: RPP Commodity Revenue Billed/Unbilled for December consumption

	RPP Price/kWh	kWh Volumes	Total	Amount billed	Amount Unbilled
Tier 1	\$ 0.0770	5,000,000	\$ 385,000	\$ 192,500	\$ 192,500
Tier 2	\$ 0.0890	7,000,000	\$ 623,000	\$ 311,500	\$ 311,500
TOU Off-peak	\$ 0.0650	100,000,000	\$ 6,500,000	\$ 3,250,000	\$ 3,250,000
TOU Mid-peak	\$ 0.0940	50,000,000	\$ 4,700,000	\$ 2,350,000	\$ 2,350,000
TOU On-peak	\$ 0.1320	63,000,000	\$ 8,316,000	\$ 4,158,000	\$ 4,158,000
Total Actual Revenue		225,000,000	\$ 20,524,000	\$ 10,262,000	\$ 10,262,000

Table 17A: Non-RPP Energy and GA Revenue Billed/Unbilled for December consumption

	Cost/kWh	kWh Volumes	Amount	Amount billed	Amount Unbilled
Estimated non-RPP Energy Revenue	\$ 0.0277	310,000,000	\$ 8,581,364	\$ 4,290,682	\$ 4,290,682
Actual Class A non-RPP GA Revenue at PDF			\$ 1,980,000	\$ 1,980,000	
Class B non-RPP GA Revenue at 1st estimate	\$ 0.1059	275,000,000	\$ 29,122,500	\$ 14,561,250	\$ 14,561,250
			\$ 39,683,864	\$ 20,831,932	\$ 18,851,932
				Total Unbilled Jan. 31, 2018	\$ 29,113,932

Journal Entry #10

Record the monthly RSVA entry for Accounts 1588 and 1589 as per the regulatory requirements in APH Article 490. See T-Account entries tab in the Illustrative Commodity Model “c” and “d” in the notes column.

January 31, 2018			
JE #10 - January RSVA Entry			
Description	DR	CR	
Dr. Account 1588 RSVA Power	\$ 14,068		
Dr. Account 1589 RSVA GA	\$ 2,668,476		
Cr. Account 4705 - Power Purchased		\$ 14,068	
Cr. Account 4707 - GA Charges		\$ 2,668,476	
	\$ 2,682,545	\$ 2,682,545	

To record the monthly RSVA entry for January 2018.

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Journal Entry #11

Reverse unbilled entry made in January for December consumption.

February 1, 2018
JE #11 - Reversal of Unbilled revenue recorded in January for December consumption

Description	DR	CR
Dr. Billings Energy Sales Accounts 4006-4055 RPP	\$ 10,262,000	
Dr. Billings Energy Sales Accounts 4006-4055 non-RPP	\$ 4,290,682	
Dr. Billings Energy Sales Accounts 4006-4055 Class B non-RPP GA	\$ 14,561,250	
Cr. Accounts Receivable		\$ 29,113,932
	<u>\$ 29,113,932</u>	<u>\$ 29,113,932</u>

To reverse the unbilled revenue entry JE#9 relating to December 2017 consumption recorded in January 2018.

Journal Entry #12 (see Tables 28-29 later in this Accounting Guidance)

Record actual RPP and non-RPP commodity billings in February for December consumption.

February 28, 2018
JE #12- Actual Revenue Entries

Description	DR	CR
Dr. Accounts Receivable	\$ 29,996,601	
Cr. Billings Energy Sales Accounts 4006-4055 RPP		\$ 9,495,444
Cr. Billings Energy Sales Accounts 4006-4055 non-RPP		\$ 4,653,222
Cr. Billings Energy Sales Accounts 4006-4055 Class B non-RPP GA		\$ 15,847,935
	<u>\$ 29,996,601</u>	<u>\$ 29,996,601</u>

To record the billings in February 2018 relating to December 2017 consumption. For illustrative purposes the portion of billings in February 2018 that relate to December 2017 is being shown. In this example it is assumed that half of the December 2017 consumption was billed in January 2018 and the balance was billed in February 2018. In actual practice billings during the month of February 2018 may include billings for December 2017, January 2018, and February 2018 calendar month consumption.

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Accounting Guidance related to Commodity Pass-Through Accounts

Journal Entry #13 (see Tables 31-33 later in this Accounting Guidance)

Calculate, record, and file with the IESO the 2nd RPP Settlement true-up based on actual power and GA price and actual RPP volumes at each RPP rate for the three RPP TOU rates, and for each of the two-tier rates.

Feb. 28, 2018			
JE #13 - RPP Settlement 2nd True-up			
	Description	DR	CR
Dr.	Account 4705 - Power Purchased	\$ 537,393	
	Cr. Account 2256 - IESO Accounts Payable reduction		\$ 537,393
		\$ 537,393	\$ 537,393
<p>To accrue 2nd true-up adjustment to CT 1142 for actual December 2017 kWh consumption sold at each RPP price point. In this illustrative example it is assumed that the 2nd true-up happens on business day 4 of March 2018 and is included in CT 1142 on the IESO invoice on business day 10 of March 2018. The illustrative example does not show the reversal of this entry on March 1, 2018, and then the recording of the same amount when the March 2018 IESO invoice is recorded.</p>			

Accounting Procedures Handbook Update

Accounting Guidance related to Commodity Pass-Through Accounts

Data for Settlements and 2nd True-up

Data for 2nd True up of RPP Settlement based on Actual Revenue Volumes on March 6, 2018:

Table 22: Wholesale Volume data per IESO Power Bill

	GA RPP/non- RPP Ratios	GA Volumes	Energy Volumes
AQEW		527,250,000	527,250,000
Embedded Generation		8,000,000	8,000,000
Class A customer Volumes for GA (TLF included)		(35,000,000)	
		<u>500,250,000</u>	<u>535,250,000</u>
Actual RPP Quantity Proportion	42.71%	213,672,868	213,672,868
Actual non-RPP Quantity Proportion	57.29%	286,577,132	321,577,132
Wholesale kWh Volumes	100.00%	<u>500,250,000</u>	<u>535,250,000</u>

Table 23: Actual Volumes purchased for RPP Customers (TLF Included)

	Actual %	kWh Volumes
Tier 1	2.07%	4,431,348
Tier 2	3.83%	8,173,376
TOU Off-peak	41.01%	87,625,624
TOU Mid-peak	24.89%	53,176,181
TOU On-peak	28.20%	60,266,339
	<u>100.00%</u>	<u>213,672,868</u>

Table 24: Actual Retail Volume Revenue Data (TLF included)

	GA RPP/non- RPP Ratios	GA Volumes	Energy Volumes
Billed/Unbilled Retail Volumes		501,250,000	536,250,000
Actual RPP Sales Quantities	42.71%	214,100,000	214,100,000
Actual non-RPP Sales Quantities	57.29%	287,150,000	322,150,000
Actual Retail Revenue kWh Volumes	100.00%	<u>501,250,000</u>	<u>536,250,000</u>

Table 25: Actual RPP Revenue Volume and Price Data¹⁴

	Actual %	kWh Volumes	RPP Price/kWh
Tier 1	2.07%	4,440,207	\$ 0.077
Tier 2	3.83%	8,189,715	\$ 0.089
TOU Off-peak	41.01%	87,800,787	\$ 0.065
TOU Mid-peak	24.89%	53,282,480	\$ 0.094
TOU On-peak	28.20%	60,386,811	\$ 0.132
	<u>100.00%</u>	<u>214,100,000</u>	

¹⁴ Volumes related to each RPP price for revenue based on actual consumption during calendar month.

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Table 26: Commodity Price Data

Commodity Price	Wholesale Prices per kWh
Actual Average Energy Price for RPP Customers	\$ 0.0319
Actual Average Energy Price for non-RPP customers	\$ 0.0278
GA 1st estimate	\$ 0.1059
GA 2nd estimate	\$ 0.0787
Class B - GA actual	\$ 0.0871
Class B - GA actual IESO billed	\$ 0.0884

Commodity Cost of Power per IESO Invoice:

Table 27: Commodity Cost of Power Billed by IESO

	Cost/kWh	kWh Volumes	Amount
Actual Payments to Embedded Generators - 4705	\$ 0.6500	8,000,000	\$ 5,200,000
Charge Type 101 - 4705	\$ 0.0294	527,250,000	\$ 15,520,434
Charge Type 147 - non-RPP Class A - 4707			\$ 1,980,000
Charge Type 148 - RPP - 4705 ¹⁵	\$ 0.0884	213,672,868	\$ 18,880,000
Charge Type 148 - non-RPP - 4707 ¹⁵	\$ 0.0884	286,577,132	\$ 25,321,775
Charge Type 1142 - RPP - 4705 - RPP Settlement - Final Settlement Amount ¹⁶			\$ (4,271,000)
Charge Type 1412 - FIT Program Settlement Amount - 4705	\$ (0.6207)	8,000,000	\$ (4,965,699)
Actual cost of power			<u>\$ 57,665,510</u>

Notes for Table 27:

¹⁵ Updated GA for RPP and non-RPP Class B customers based on actual proportions for RPP and non-RPP Class B customers.

¹⁶ This is the updated cumulative RPP Settlement amount. The true-up element of this amount will be incorporated into CT 1142 in the RPP settlement with the IESO for fourth business day of February or March.

Actual Net Accrued & Billed Revenue from RPP & non-RPP Customers:

Table 28: RPP Commodity Revenue

	RPP			Billed in January	Billed in February
	Price/kWh	kWh Volumes	Amount		
Tier 1	\$ 0.0770	4,440,207	\$ 341,896	\$ 192,500	\$ 149,396
Tier 2	\$ 0.0890	8,189,715	\$ 728,885	\$ 311,500	\$ 417,385
TOU Off-peak	\$ 0.0650	87,800,787	\$ 5,707,051	\$ 3,250,000	\$ 2,457,051
TOU Mid-peak	\$ 0.0940	53,282,480	\$ 5,008,553	\$ 2,350,000	\$ 2,658,553
TOU On-peak	\$ 0.1320	60,386,811	\$ 7,971,059	\$ 4,158,000	\$ 3,813,059
Total Actual Revenue		<u>214,100,000</u>	<u>\$ 19,757,444</u>	<u>10,262,000</u>	<u>\$ 9,495,444</u>

Table 29: non-RPP Actual Revenue

	Cost/kWh	kWh Volumes	Amount	Billed in January	Billed in February
Actual Class A non-RPP GA Revenue at PDF			\$ 1,980,000	\$ 1,980,000	\$ -
Class B non-RPP GA Revenue at 1st estimate	\$ 0.1059	287,150,000	\$ 30,409,185	\$ 14,561,250	\$ 15,847,935
			<u>\$ 41,333,089</u>	<u>\$ 20,831,932</u>	<u>\$ 20,501,157</u>

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Table 30: Actual Average unit cost of power sold for RPP & non-RPP for 2nd True-up

	Cost/kWh	kWh Volumes	Amount
Actual RPP power sales volumes and revenues	\$ 0.0319	214,100,000	\$ 6,840,382
Actual Non-RPP power sales volumes and revenues	\$ 0.0278	322,150,000	\$ 8,943,904
	\$ 0.0294	536,250,000	\$ 15,784,286

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RPP Settlement - 2nd True-UP

RPP Settlement Calculation based on Actual GA Price on Business Day 4 of February 2018

Table 31: Estimated RPP Revenue & Actual GA price

RPP Revenue Prices	RPP Price	Estimated RPP Energy Price	GA Actual	Total Commodity	Difference	kWh Volumes	\$ Estimated RPP Revenue	\$ Estimated RPP Energy	\$ Actual GA	\$ Estimated RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0432	5,002,500	\$ 385,193	\$ 159,324	\$ 442,018	\$ (216,149)
Tier 2	\$ 0.0890	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0312	7,003,500	\$ 623,312	\$ 223,053	\$ 618,825	\$ (218,566)
TOU Off-peak	\$ 0.0650	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0552	100,050,000	\$ 6,503,250	\$ 3,186,473	\$ 8,840,355	\$ (5,523,578)
TOU Mid-peak	\$ 0.0940	\$ 0.0318	\$ 0.0884	\$ 0.1202	-\$ 0.0262	50,025,000	\$ 4,702,350	\$ 1,593,237	\$ 4,420,178	\$ (1,311,064)
TOU On-peak	\$ 0.1320	\$ 0.0318	\$ 0.0884	\$ 0.1202	\$ 0.0118	63,031,500	\$ 8,320,158	\$ 2,007,478	\$ 5,569,424	\$ 743,256
	\$ 0.0912					225,112,500	\$ 20,534,262	\$ 7,169,565	\$ 19,890,799	\$ (6,526,101)

Final RPP Settlement Calculation on Business Day 4 of March 2018

Table 32 Final Revised RPP Settlement based on Actual RPP Revenue and Actual GA Price

RPP Revenue Prices	RPP Price	Actual RPP Energy Price	GA Actual	Total Commodity	Difference	kWh Volumes	\$ Actual RPP Revenue	\$ Actual RPP Energy	\$ Actual GA	\$ Final RPP Settlement
Tier 1	\$ 0.0770	\$ 0.0319	\$ 0.0884	\$ 0.1203	-\$ 0.0433	4,431,348	\$ 341,214	\$ 141,579	\$ 391,551	\$ (191,917)
Tier 2	\$ 0.0890	\$ 0.0319	\$ 0.0884	\$ 0.1203	-\$ 0.0313	8,173,376	\$ 727,430	\$ 261,135	\$ 722,194	\$ (255,899)
TOU Off-peak	\$ 0.0650	\$ 0.0319	\$ 0.0884	\$ 0.1203	-\$ 0.0553	87,625,624	\$ 5,695,666	\$ 2,799,593	\$ 7,742,545	\$ (4,846,472)
TOU Mid-peak	\$ 0.0940	\$ 0.0319	\$ 0.0884	\$ 0.1203	-\$ 0.0263	53,176,181	\$ 4,998,561	\$ 1,698,951	\$ 4,698,614	\$ (1,399,004)
TOU On-peak	\$ 0.1320	\$ 0.0319	\$ 0.0884	\$ 0.1203	\$ 0.0117	60,266,339	\$ 7,955,157	\$ 1,925,478	\$ 5,325,096	\$ 704,583
	\$ 0.0923					213,672,868	\$ 19,718,028	\$ 6,826,736	\$ 18,880,000	\$ (5,988,708)

2nd RPP Settlement True-up

Table 33: True-up of RPP Volumes and Revenue and GA price to actual

True-Up elements	RPP Price	RPP Energy Price Difference	GA Price Difference	Total Commodity	Difference	kWh Volumes	\$ True-Up RPP Revenue	\$ True-up RPP Energy	\$ True-up GA	\$ RPP Settlement True-UP
Tier 1	\$ -	\$ (0.0001)	\$ -	\$ (0.0001)	\$ 0.0001	571,152	\$ (43,979)	\$ (17,744)	\$ (50,467)	\$ 24,232
Tier 2	\$ -	\$ (0.0001)	\$ -	\$ (0.0001)	\$ 0.0001	(1,169,876)	\$ 104,119	\$ 38,082	\$ 103,370	\$ (37,332)
TOU Off-peak	\$ -	\$ (0.0001)	\$ -	\$ (0.0001)	\$ 0.0001	12,424,376	\$ (807,584)	\$ (386,881)	\$ (1,097,810)	\$ 677,106
TOU Mid-peak	\$ -	\$ (0.0001)	\$ -	\$ (0.0001)	\$ 0.0001	(3,151,181)	\$ 296,211	\$ 105,714	\$ 278,436	\$ (87,940)
TOU On-peak	\$ -	\$ (0.0001)	\$ -	\$ (0.0001)	\$ 0.0001	2,765,161	\$ (365,001)	\$ (82,000)	\$ (244,328)	\$ (38,673)
						11,439,632	\$ (816,234)	\$ (342,829)	\$ (1,010,799)	\$ 537,393

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Journal Entry #14 (see Table 34 later in this Accounting Guidance)

Calculate true-up adjustment of CT 148 based on the actual proportionate share of kWh volumes sold for RPP and Non-RPP. For the true-up calculation recorded in JE #13, the actual consumption proportions were used to calculate the amounts attributable to RPP and Non-RPP respectively, and an adjusting entry is made to true-up to actual proportions. Note that RPP settlements are based on wholesale quantities purchased, and CT 1142 is a component of wholesale purchases.

Feb. 28, 2018				
JE #14 - RPP/non-RPP ratio True-Up				
	Description	DR	CR	
Dr. Account 4707 - Charges GA		\$ 1,010,799		
	Cr. Account 4705 - Power Purchased RPP GA		\$	1,010,799
		<u>\$ 1,010,799</u>	<u>\$</u>	<u>1,010,799</u>
To adjust allocation of CT 148 per IESO bill relating to actual RPP and non-RPP kWh proportions. In this illustrative example it is assumed that the actual data is available by the end of February 2018.				

RPP vs non-RPP Cost of Power Journal Entry True-up of CT 148

Table 34: RPP GA Allocation Adjustment

	Cost/kWh	kWh Volumes	Originally recorded		Actuals ¹⁷			Adjustment required
			Proportion of total	\$	Proportion of total	\$		
Recorded in Account 4705	\$ 0.0884	225,112,500	45.00%	\$ 19,890,799	213,672,868	42.71%	\$ 18,880,000	\$ (1,010,799)
Recorded in Account 4707	\$ 0.0884	275,137,500	55.00%	\$ 24,310,976	286,577,132	57.29%	\$ 25,321,775	\$ 1,010,799
		<u>500,250,000</u>	<u>100.00%</u>	<u>\$ 44,201,775</u>	<u>500,250,000</u>	<u>100.00%</u>	<u>\$ 44,201,775</u>	<u>\$ 0</u>

¹⁷ - February 2018 journal entry is required to adjust amounts apportioned between Class B RPP & non-RPP since actual proportions are known.

Not only does the RPP settlement have to be trued up for the allocation of RPP and non-RPP³⁴, but distributors must also ensure that the updated allocation is properly reflected in their GL as the originally recorded amounts need to be adjusted for the actual proportion of costs to be allocated between RPP and non-RPP customers.

³⁴ See Table 33 "\$ True-up GA", total is also \$1,010,799.

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Journal Entry #15

Record monthly RSVA entry for February as per APH Article 490. See T-Accounts tab in the Illustrative Commodity Model, entries “e” and “f” in the notes column.

Feb. 28, 2018		
JE #15 - February RSVA Entry		
Description	DR	CR
Dr. Account 4705 - Power Purchased	\$ 69,389	
Dr. Billings Energy Sales Accounts 4006-4055 Non-RPP GA	\$ 275,886	
Cr. Account 1588 RSVA Power		\$ 69,389
Cr. Account 1589 - RSVA GA		\$ 275,886
	<u>\$ 345,276</u>	<u>\$ 345,276</u>

To record the monthly RSVA entry for February 2018.

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SECTION II: Rate Application Related Adjustments

Background

Section II illustrates how the variance account balances for Accounts 1588 and 1589 are to be reflected for disposition proposal in rate applications.

The OEB has determined that all true-ups must be reflected in the account balances proposed for disposition. Amounts calculated and recorded in Section I are used to illustrate the regulatory filing requirements.

Table 35 summarizes the various components that must be reflected on the DVA Continuity Schedule in Accounts 1588 and 1589 based on the example contained in the Illustrative Commodity Model:

Table 35: DVA Continuity Schedule adjustments at December 31, 2017

Account	Per Dec 31, 2017 G/L		If Books Open and IESO Bill Posted to Dec 31, 2017 G/L, no DVA Continuity Adjustment	Not Posted to Dec 31, 2017 G/L, DVA Continuity Adjustment needed	Not Posted to Dec 31, 2017 G/L, DVA Continuity Adjustment needed	Not Posted to Dec 31, 2017 G/L, DVA Continuity Adjustment needed	Not Posted to Dec 31, 2017 G/L, DVA Continuity Adjustment needed	Closing Principal Balance
	Pre IESO Bill balance	COP Accrual vs Actual GA - Per IESO Bill	COP Accrual vs Actual GA - Per IESO Bill	RPP Settlement- 1st true-up	RPP Settlement - 2nd true-up	Unbilled vs Actual Difference	RPP vs non-RPP Allocation	Balance for Disposition
1588	\$ (0)	\$ 2,269,170	\$ 2,269,170	\$ (2,255,101)	\$ 537,393	\$ 404,016	\$ (1,010,799)	\$ (55,321)
1589	\$ (7,480,000)	\$ 2,668,476	\$ 2,668,476	\$ -	\$ -	\$ (1,286,685)	\$ 1,010,799	\$ (5,087,410)

DVA Continuity Principal Adjustments for Account 1588:

The Illustrative Commodity Model contains a “Rate Application Related” tab including Table 35 which shows the elements that are required to be reflected in the amounts for disposition.

The OEB requires that distributors reflect in the balances of Accounts 1588 - RSVA^{Power} and 1589 - RSVA^{GA} proposed for disposition all true-up amounts and unbilled revenue differences for the period being requested for disposition. True-up amounts recorded in a subsequent fiscal period are to be added to the period to which they relate, and differences between unbilled revenue amounts and the actuals to which they relate are to be adjusted in the DVA continuity adjustments in the rate application.

Distributors must first determine the elements of the commodity variance accounts that have not been reflected in their GL on an actual basis. The “Principal Adjustments”

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column of the DVA Continuity Schedule should be used to show the adjustments to actuals for each of the elements.

Table 35 “Commodity Pass-Through Account Balances Requested for Disposition December 31, 2017” provides a summary of amounts from the Illustrative Commodity Model that are required to be reflected in the balances requested for disposition as of December 31, 2017. In the example, the first amount of \$2,269,170 for COP Accrual vs Actual GA should not be an adjustment to the DVA Continuity Schedule Account 1588 as utilities generally keep their books open long enough to record the actual GA costs from their IESO bills in their GL.

The following are DVA Continuity Schedule Adjustments that are required:

1st True-up Adjustment - IESO CT 1142

Journal Entry #7 relates to the 1st true-up credit of \$2,255,101 to Account 4705 Power Purchased, ultimately crediting Account 1588. This true-up relates to the energy price and GA Price which are trued-up to actual. See Table 21 of the example in the Illustrative Commodity Model. If a distributor keeps its books open long enough to record the 1st true-up of CT 1142 in the current year, then this DVA Continuity Schedule adjustment is not required.

If an amount is recorded on the DVA Continuity Schedule under “Principal Adjustments” in the current year, this “Principal Adjustment” must be reversed on the DVA Continuity Schedule in the following year when the true-up of CT 1142 is actually in the distributor’s GL.

2nd True-up Adjustment – IESO CT 1142

Journal Entry #13 relates to the 2nd true-up debit of \$537,393 relating to truing-up the estimated non-RPP and RPP volumes to actual volumes. See Table 33 of the Illustrative Commodity Model. If a distributor keeps its books open long enough to record the 2nd true-up of CT 1142 in the current year, then this DVA Continuity Schedule adjustment is not required.

If an amount is recorded on the DVA Continuity Schedule under “Principal Adjustments” in the current year, this “Principal Adjustment” must be reversed on

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the DVA Continuity Schedule in the following year when the true-up CT 1142 is actually in the distributor's GL.

Unbilled to Billed Adjustments

Differences between unbilled revenue accruals for prior months compared to the actual billings cause timing differences in the commodity variance accounts and need to be reflected in the DVA Continuity Schedule.

In the Illustrative Commodity Model example, the monthly billed/unbilled entry was made to record the revenue accrual journal entry for the month based on estimates. As this example is presented for illustrative purposes, a simplified approach was used whereby the net of billed sales less prior month's unbilled revenue, plus current month's unbilled revenues were combined in the example. The net of the three entries was used as the estimated revenues for the consumption month of December.

If a distributor's GL for the year ended December does not reflect the post year end actual billings for the calendar year, then an adjustment is required in the "Principal Adjustments" column in the DVA Continuity Schedule of the relevant rate model. For illustrative purposes, the difference between the unbilled accrual Journal Entry #2, actuals billings Journal Entry #8 in January, and Journal Entry #12 in February are shown in Table 35 above, under the "Unbilled to Actual" column. In the illustrative example, distributors would be required to include the adjustments shown in this column of a debit of \$404,016 under "Principal Adjustments" for Account 1588 in the 2017 DVA Continuity Schedule.

Unbilled to Billed Adjustments:

Energy Sales Recorded in 4006-4055				
	Estimated	Actual	Adjustment	
JE #2	\$ 29,105,364			
JE #8		\$ 14,552,682		
JE #12		\$ 14,148,666		
	<u>\$ 29,105,364</u>	<u>\$ 28,701,347</u>	<u>\$ 404,016</u>	

The amounts shown under the "Principal Adjustments" column on the DVA Continuity Schedule for the current year must be reversed in the following year.

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CT 148 GA Allocation Adjustment³⁵

The Adjustment Journal entry presented in the illustration relates to the differences between estimated and actual volumes for RPP customers that were recorded in the distributor's GL based on actual CT 148 and actual per kWh price. A journal entry is required to reflect the actual proportions for RPP and non-RPP customer kWh volumes. In this example Journal Entry #14 records the entry to transfer the RPP GA costs of \$1,010,799 from Account 1588 - RSVA_{Power} to Account 1589 - RSVA_{GA}.

The OEB requires that the DVA Continuity Schedule show the amounts under "Principal Adjustments" for the year to which the consumption relates. A reversal is required to be made in the following year. If a distributor keeps its books open long enough to record this allocation adjustment in the current year, then this DVA Continuity Schedule adjustment is not required.

If a DVA Continuity Schedule "Principal Adjustment" is recorded in the current year, this "Principal Adjustment" must be reversed on the DVA Continuity Schedule in the following year for when such difference was reflected in the distributor's GL.

DVA Continuity Principal Adjustments for Account 1589:

The first amount of \$2,668,476 for COP Accrual vs Actual GA should not be an adjustment to the DVA Continuity Schedule Account 1589 as utilities generally keep their books open long enough to record the Actual GA costs from their IESO bills to their GLs.

The following are DVA Continuity Schedule Adjustments that are required:

³⁵ This is a cost true-up related to the apportionment of the GA amount (billed by the IESO) between Class B RPP and non-RPP customer volumes. The following discussion relates to the Journal Entry required in the distributors General Ledger.

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Unbilled to Billed Adjustments

For illustrative purposes, the difference between the unbilled accrual Journal Entry #2, actuals billings Journal Entry #8 in January, and Journal Entry #12 in February are shown in Table 35 above, under the “Unbilled to Actual” column. In the Illustrative Commodity Model example, distributors would be required to include the adjustments shown in this column of credit of \$1,286,685 under ‘Principal Adjustments’ for Account 1589 in the 2017 DVA Continuity Schedule.

Unbilled to Billed Adjustments:

Energy sales recorded in 4006-4055 Sub-account GA

	Estimated (JE #2)	Actual (JE #s 8 & 12)	Adjustment
JE #2	(29,122,500)		
JE #8		(14,561,250)	
JE #12		(15,847,935)	
	<u>(29,122,500)</u>	<u>(30,409,185)</u>	<u>(1,286,685)</u>

The amounts shown under “Principal Adjustments” on the DVA Continuity Schedule for the current year must be reversed in the following year

CT 148 GA Allocation Adjustment ³⁶

Detailed description of this item has been provided under the heading “CT 148 GA Allocation Adjustment” above.

A debit adjustment of \$1,010,799 to Account 1589 in the DVA Continuity Schedule for 2017 is needed in the “Principal Adjustments” column.

If a DVA Continuity Schedule “Principal Adjustment” is recorded in the current year, this “Principal Adjustment” must be reversed on the DVA Continuity Schedule in the following year for when such difference was reflected in the distributors GL.

³⁶ This is a cost true-up related to the apportionment of the GA amount (billed by the IESO) between Class B RPP and non-RPP customer volumes. The following discussion relates to the Journal Entry required in the distributor’s General Ledger.

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GA Analysis Workform Reconciling Items

When preparing the GA Analysis Workform, distributors are to include reconciling adjustments relating to RPP Settlement True ups and Unbilled Revenue related differences.

Table 36 “GA Analysis Workform Items December 31, 2017” provides the reconciling items from the Illustrative Commodity Model example, to be reflected on the GA Analysis Workform.

Table 36: GA Analysis Workform Reconciling Items December 31, 2017

	Per Dec 31, 2017 G/L	If Books Open and IESO Bill Posted to Dec 31, 2017 G/L, no reconciling Item	N/A	N/A	Reconciling Item	Reconciling Item	Closing Principal Balance
Account	Pre IESO Bill balance	COP Accrual vs Actual GA - Per IESO Bill	RPP Settlement- 1st true-up	RPP Settlement - 2nd true-up	Unbilled vs Actual Difference	RPP vs non-RPP Allocation	Balance for Disposition
1589	\$ (7,480,000)	\$ 2,668,476	\$ -	\$ -	\$ (1,286,685)	\$ 1,010,799	\$ (5,087,410)

The “Principal Adjustments” on the DVA Continuity Schedule for account 1589 are required in the GA Analysis WorkForm under “Reconciling Items”.

Unbilled to Billed Adjustments

Reconciling item 2b “Add current year-end unbilled to actual revenue differences” for a credit of \$1,286,685 to be recorded in the GA Analysis Workform for the current year and then reversed in the following year.

CT 148 GA Allocation Adjustment

Reconciling item 1b “True-up of GA Charges based on Actual Non-RPP volumes – Current year” for a debit of \$1,010,799 to be recorded in the GA Analysis WorkForm for the current year and then reversed in the following year.

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Other Commodity Variance Account Differences:

1. Unaccounted for energy

Differences due to unaccounted for energy relating to the difference between actual system losses and the Total Loss Factor (TLF) billed to customers will also have an impact on both of the commodity variance accounts. The result of unaccounted for energy is that it will cause volume variances in both Account 1588 - RSVA_{Power}, and Account 1589 - RSVA_{GA}.

2. Accounting for Differences in RPP settlements due to GA Billed by the IESO

Currently, the IESO typically invoices distributors for GA based on a utility's calendar month Wholesale Class B volumes (AQEW kWh plus Embedded Generation kWh quantities, net of injections into the transmission grid, minus Class A kWh quantities) multiplied by the actual GA price for the respective calendar month. There are times that the IESO bills distributors GA adjustments that are not reflected in the posted price. Distributors are expected to allocate such costs between Account 1588 - RSVA_{Power}, and Account 1589 - RSVA_{GA} reasonably and to reflect the RPP portion in the current month RPP settlement with the IESO.

As a result of recent discussions with the IESO, starting in 2019, the IESO will roll in all GA adjustments into the posted prices and such differences should be minimized. However, where a distributor has differences, they should enquire with the IESO. In addition, the new RPP Settlement methodology uses the total CT 148 for Wholesale Class B volumes billed by the IESO divided by the relevant quantities.

SECTION III: Accounting Guidance related to Embedded Generation Settlement

Background:

Distributors pay specific types of embedded generator (EG) customers at the price set out in the generator’s contract with the IESO. Currently, there are three different types of programs where the IESO has contracts with the EGs. These are:

- Feed-In Tariff Program (FIT)
- Renewable Energy Standard Offer Program (RESOP)
- Hydroelectric Contract Initiative Program (HCI)

Feed-In Tariff (FIT)

Under this program, a distributor pays a supplier for the electricity it receives at the price set out in the generator’s FIT or microFIT contract with the IESO. Distributors calculate the difference between the contracted payments to FIT and microFIT program participants and the wholesale market price for the same amount of electricity, and settle this difference with the IESO. This settlement amount appears as CT 1412 on the IESO invoice.

Figure 1 below is an excerpt from the IESO claim form distributors must complete to settle the difference between the contract payments made to the EGs regarding FIT and microFIT and the wholesale market cost of energy.

Figure 1: Claims for the FIT per IESO Guide to Online Data Submission parts 5.10 & 5.11

	Payments from IESO		Payments to IESO		No of Installations
	kWh	\$	kWh	\$	#
Off Peak	<input type="text"/>				
On Peak	<input type="text"/>				

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The amounts paid to EGs at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount on the IESO invoice under CT 1412 is also to be recorded in Account 4705, Power Purchased. After recording both of the entries, the

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distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under FIT or microFIT contracts.

Ultimately, after settlement with the IESO, the net result of the amount paid by the distributor for the kWh volume of electricity it receives from an EG under FIT and microFIT programs should be based on the wholesale market prices (or spot price).

EG Settlement with the IESO Illustrative Example

The example below depicts a scenario where the distributor has three microFIT EG customers and illustrates the journal entries recorded for June 2018 for the embedded generation settlement with the IESO. The distributor needs the following information to perform the settlement:

- i. The volume of electricity generated by each microFIT EG customer for each hour of each day of the month. The OEB deems this best practice. However, if a distributor does not have meters that record hourly generation data for a given EG, the load profile should be extrapolated from a FIT customer installed with interval meters for the same month where the hourly generation data is available. A distributor is expected to make reasonable efforts to obtain the most precise hourly generation data available for an EG customer to ensure the accuracy of the settlement amount³⁷.
- ii. HOEP for each hour of each day of the month
- iii. The contract price for each microFIT customer

Example:

Assumptions and Derivation of the EG Monthly Settlement

- a) A distributor has three EG customers who have signed microFIT program contracts with the IESO to supply generated electricity to the grid. The signed contracts have the following agreed-upon prices to be paid by the distributor to each microFIT customer:

³⁷ Distributors should refer to S. 5.3.2 of the Distribution System Code to review their obligations.

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Type of EG Customers	Contract Price
microFIT EG customer 1	\$0.80/kWh
microFIT EG customer 2	\$0.50/kWh
microFIT EG customer 3	\$0.30/kWh

- b) Data for 24 hours of the first day of June 2018 is being used for microFIT EG customer 1; 24 hour data for each day of the month is required for settlement purposes, per Table 1 below:

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Table 1: Derivation of One Day Settlement Calculation

Date	Hour	HOEP (\$/kWh)	Generated kWh (Assumption)	Generated kWh at HOEP (\$)	Contract price (\$/kWh) (Assumption)	Generated kWh at contract price (\$)	Difference between contract price and HOEP for generated kWh (\$)
		A	B	C = A x B	D	E = D x B	F = E - C
1-Jun-18	1	0.00714	0	0	0.80	0	0
1-Jun-18	2	0.00904	0	0	0.80	0	0
1-Jun-18	3	0.01334	0	0	0.80	0	0
1-Jun-18	4	0.01333	0	0	0.80	0	0
1-Jun-18	5	0.00473	0	0	0.80	0	0
1-Jun-18	6	0.00331	0	0	0.80	0	0
1-Jun-18	7	0.01598	0	0	0.80	0	0
1-Jun-18	8	0.03538	0	0	0.80	0	0
1-Jun-18	9	0.03649	0.5000	0.02	0.80	0.40	0.38
1-Jun-18	10	0.04112	4.5000	0.19	0.80	3.60	3.41
1-Jun-18	11	0.03739	7.5000	0.28	0.80	6.00	5.72
1-Jun-18	12	0.03754	11.0000	0.41	0.80	8.80	8.39
1-Jun-18	13	0.03793	12.0000	0.46	0.80	9.60	9.14
1-Jun-18	14	0.03824	8.0000	0.31	0.80	6.40	6.09
1-Jun-18	15	0.04224	4.5000	0.19	0.80	3.60	3.41
1-Jun-18	16	0.05067	2.0000	0.10	0.80	1.60	1.50
1-Jun-18	17	0.03994	0	0	0.80	0	0
1-Jun-18	18	0.03602	0	0	0.80	0	0
1-Jun-18	19	0.03444	0	0	0.80	0	0
1-Jun-18	20	0.02195	0	0	0.80	0	0
1-Jun-18	21	0.00531	0	0	0.80	0	0
1-Jun-18	22	0.00841	0	0	0.80	0	0
1-Jun-18	23	0.00144	0	0	0.80	0	0
1-Jun-18	24	0.00087	0	0	0.80	0	0
Total for day for microFIT customer 1:		Off-peak	5.0000	\$ 0.20		\$ 4.00	\$ 3.80
		On-peak	45.0000	\$ 1.75		\$ 36.00	\$ 34.25
		Total	50.0000	\$ 1.95		\$ 40.00	\$ 38.05

Note that On-peak represents electricity generated on business days between 11am and 7pm.

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- i. Per Table 1 above, using HOEP (A) and the microFIT EG customer's hourly volume of generated electricity (B), the distributor can calculate the wholesale market cost of energy for generation for 24 hours of each day of the month (C).
 - ii. Using the microFIT EG customer's contract price per kWh (D), and the EG customer's hourly kWh volume of generated electricity (B), the distributor can calculate the payment to the EG at contract price (E).
 - iii. The difference between the wholesale market cost of energy (C) and the payment to the EG at contract price (E) is the amount that is settled with the IESO (F).
 - iv. Data for columns (B), (C), (E) and (F) must be aggregated for Off-peak and On-Peak periods for each month for settlement with the IESO.
- c) Using the same methodology for each hour of each subsequent day of June 2018, the distributor can then calculate the total on-peak and off-peak kWh volume of generated electricity, the total wholesale market cost of energy, and the payment to EG at the contract price for the whole month. The same calculations are then performed for microFIT EG customers 2 and 3 as well. Table 2 below shows a summary of the calculations for each of the three EG customers for the whole month of June 2018.

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Table 2: Derivation of Full Month Settlement Calculation

Date	Hour	HOEP (\$/kWh)	Generated kWh (Assumption)	Generated kWh at HOEP (\$)	Contract price (\$/kWh) (Assumption)	Generated kWh at contract price (\$)
		A	B	C = A x B	D	E = D x B
1-Jun-18	1	0.00714	0	0	0.80	0
1-Jun-18	2	0.00904	0	0	0.80	0
:	:	:	:	:	:	:
30-Jun-18	23	0.02174	0	0	0.80	0
30-Jun-18	24	0.01226	0	0	0.80	0
Total for month for microFIT customer 1:	Off-peak		200.0000	\$ 10.00		\$ 160.00
	On-peak		1,800.0000	\$ 70.00		\$ 1,440.00
	Total		2,000.0000	\$ 80.00		\$ 1,600.00
1-Jun-18	1	0.00714	0	0	0.50	0
1-Jun-18	2	0.00904	0	0	0.50	0
:	:	:	:	:	:	:
30-Jun-18	23	0.02174	0	0	0.50	0
30-Jun-18	24	0.01226	0	0	0.50	0
Total for month for microFIT customer 2:	Off-peak		300.0000	\$ 20.00		\$ 150.00
	On-peak		3,700.0000	\$ 80.00		\$ 1,850.00
	Total		4,000.0000	\$ 100.00		\$ 2,000.00
1-Jun-18	1	0.00714	0	0	0.30	0
1-Jun-18	2	0.00904	0	0	0.30	0
:	:	:	:	:	:	:
30-Jun-18	23	0.02174	0	0	0.30	0
30-Jun-18	24	0.01226	0	0	0.30	0
Total for month for microFIT customer 3:	Off-peak		500.0000	\$ 50.00		\$ 150.00
	On-peak		6,500.0000	\$ 150.00		\$ 1,950.00
	Total		7,000.0000	\$ 200.00		\$ 2,100.00

- d) Combining data from all three microFIT EG customers, the distributor can arrive at the total kWh volume of generated electricity for the month for all of its microFIT EG customers, as well as the total wholesale market cost of energy and the total payments to EG at contract prices. This information will be used to calculate the EG Settlements with the IESO. See Table 3 below.

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Table 3: Derivation of One Month Settlement Calculation for Three MicroFIT EG Customers

		Generated kWh	Generated kWh at HOEP (\$)	Generated kWh at contract price (\$)	Difference between contract price and HOEP for generated kWh (\$)
Total for month (for all microFIT customers):	Off-peak	1,000.0000	\$ 80.00	\$ 460.00	\$ 380.00
	On-peak	12,000.0000	\$ 300.00	\$ 5,240.00	\$ 4,940.00
	Total	13,000.0000	\$ 380.00	\$ 5,700.00	\$ 5,320.00

- e) The IESO settlement form for microFIT should be completed based on the data aggregated per Table 3 above. As part of the distributor's monthly online filing, the microFIT submission for June 2018 is illustrated below:

Table 4: Excerpt from IESO EG Settlements Submission for FIT and MicroFIT

	Payments from IESO		Payments to IESO		No of Installations
	kWh	\$	kWh	\$	#
Off Peak	1,000	\$380			3
On Peak	12,000	\$4,940			To Top

These amounts are subsequently reflected on the June 2018 IESO invoice to the distributor under Charge Type 1412.

- f) FIT settlement should be performed based on the same methodology as microFIT, as provided in the example above.

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Accounting Entries:

- i) Record payments made to microFIT EG customers at contracted prices for electricity generated in the month.

30-Jun-18		
JE to record payments made to microFIT EG customers at contracted prices.		
Description	Dr.	Cr.
Dr. Account 4705, Power Purchased	\$5,700	
Cr. Account 2205 - Accounts Payable to EG customers		\$5,700
To record payments made to microFIT customers at contracted prices for electricity generated in the month.		

- ii) Record EG settlement credit received typically through a reduction from overall charges on the monthly IESO invoice shown as CT 1412 on the invoice received for the month. A distributor would have to pay the IESO if the market price of energy was higher than the contract price.

30-Jun-18		
JE to record IESO Invoice CT 1412		
Description	Dr.	Cr.
Dr. Account 2256 - IESO Accounts Payable Reduction	\$5,320	
Cr. Account 4705, Power Purchased		\$5,320
To record settlement of microFIT EG customers' generated electricity for the month as shown on the IESO invoice as CT 1412		

In summary, the amounts to be recorded by a distributor in Account 4705 and ultimately reflected in Account 1588 in relation to embedded generation settlements can be shown in the T-account below using the assumptions in the illustrated example as follows:

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Account 4705, Power Purchased

Debit	Credit
(i) 5,700	(ii) 5,320
Net result: \$380 debit, i.e. Electricity purchased from embedded generator at HOEP	

Distributors should also ensure they have effective internal controls in place for the settlement process to ensure the input data to the settlement and the settlement amounts are fairly represented and accurately reported.

Renewable Energy Standard Offer Program

The RESOP settlement is performed based on the same methodology as microFIT, as provided in the example above.

Under the RESOP, distributors pay specific types of EGs at the price set out in the generator's standard offer contract. Distributors calculate the difference between the contracted payments to RESOP participants and the wholesale market price for the same amount of electricity and settle this difference with the IESO. This settlement amount appears as CT 1410 on the IESO invoice.

Figure 2 below shows the claim form excerpt that distributors must complete to settle the difference between the contract payments made to the EGs regarding RESOP and the wholesale market cost of energy.

Figure 2: Claims for the RESOP

Number of Regulated Installations			<input type="text"/>
Payments to IESO			
	Off Peak	On Peak	On Peak Performance Incentive
\$	<input type="text"/>	\$	<input type="text"/>
kWh	<input type="text"/>	kWh	
Payments from IESO			
	Off Peak	On Peak	On Peak Performance Incentive
\$	<input type="text"/>	\$	<input type="text"/>
kWh	<input type="text"/>	kWh	
			To Top

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The amounts paid to EGs at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount under CT 1410 is also to be recorded in Account 4705, Power Purchased.

Ultimately, after settlement with the IESO, the net result of the amount paid by the distributor for the kWh volume of electricity it receives from an EG under the RESOP program should be based on the wholesale market prices (or spot price).

After recording both of the entries, the distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under RESOP contracts.

Online Data Submission for Settlement with the IESO:

Distributors must follow the same methodology as described in the example for microFIT above.

Hydroelectric Contract Initiative Program

The HCIP settlement is performed based on the same methodology as microFIT, as provided in the example above.

Distributors with participating generation facilities calculate the difference between the contracted payments to HCIP participants and the wholesale market price for the same amount of electricity and settle this difference with the IESO. This settlement amount appears as CT 1414 on the IESO invoice.

Ultimately, after settlement with the IESO, the net result of the amount paid by the distributor for the kWh volume of electricity it receives from an EG under the HCIP program should be based on the wholesale market prices (or spot price).

Figure 3 below shows the claim form excerpt that distributors must complete to settle the difference between the contract payments made to the EGs regarding HCIP and the wholesale market cost of energy.

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Figure 3: Claims for the HCIP

Number of Installations	<input type="text"/>		
Payments to IESO			
	Off Peak		On Peak
\$	<input type="text"/>	\$	<input type="text"/>
kWh	<input type="text"/>	kWh	<input type="text"/>
Payments from IESO			
	Off Peak		On Peak
\$	<input type="text"/>	\$	<input type="text"/>
kWh	<input type="text"/>	kWh	<input type="text"/>
			To Top

The amounts paid to HCIP participants at the contract price should be recorded in Account 4705, Power Purchased. The settlement amount on the IESO invoice under CT 1414 is also to be recorded in Account 4705, Power Purchased.

After recording both of the entries, the distributor's Account 4705 would show power purchased at the wholesale market price (or spot price) for quantities received under HCIP contracts.

Online Data Submission for Settlement with the IESO:

Distributors must follow the same methodology as described in the example for microFIT above.

SECTION IV: Accounting Guidance related to Embedded Generation Reporting to the IESO, Impacting Account 1589, RSV_{GA}

General Summary

The IESO requires distributors to submit the EG and Class A volumes as part of the distributor's monthly submission, as both of these elements are taken into account by the IESO in the determination of Charge Type 148 Class B - GA settlement amounts.

The IESO bills distributors the actual GA (CT 148) by aggregating the reported EG volume and the total power withdrawn from the IESO grid³⁸, excluding the volume from Class A customers.

A separate CT 147 is used by the IESO to bill the distributors for GA related to the distributor's Class A customers, based on the customer's peak demand factor.

The specific requirements for the submission of the settlement form has been detailed under part 5.5 of the IESO's Guide to Online Data submission.

³⁸ Net of any injections of embedded generation back into the transmission grid.