



Ontario  
Energy  
Board | Commission  
de l'énergie  
de l'Ontario

BY EMAIL AND WEB POSTING

August 6, 2020

**To: All Rate-regulated Electricity Distributors  
All Rate-regulated Natural Gas Distributors  
All Rate-regulated Electricity Transmitters  
All Other Interested Parties**

**Re: Accounting Order for the Establishment of a Sub-account to Record  
Impacts Arising from the COVID-19 Emergency for Forgone Revenues from  
Postponing Rate Implementation**

---

**Purpose:**

The purpose of this accounting order is to establish a new sub-account called Impacts Arising from the COVID-19 Emergency, Sub-account Forgone Revenues from Postponing Rate Implementation.

**Background**

In the Ontario Energy Board's (OEB) previous [March 25, 2020](#) and [April 29, 2020](#) accounting orders, the OEB acknowledged that utilities may be impacted by the COVID-19 pandemic. The OEB therefore ordered the establishment of the deferral account, Impacts Arising from the COVID-19 Emergency with three sub-accounts for electricity distributors, natural gas distributors, electricity transmitters and Ontario Power Generation Inc. The account is to be used to track any incremental costs and lost revenues related to the COVID-19 pandemic effective March 24, 2020. The OEB is currently conducting a stakeholder consultation on the account in the electricity and natural gas sectors, as outlined in the May 14, 2020 consultation invitation [letter](#).

On April 16, 2020, the OEB issued a [letter](#) on its approach to Incentive Rate-setting Decisions for electricity distributors for May 1, 2020 rates. In its letter, the OEB stated that in light of the uncertainty regarding the severity and duration of the COVID-19 emergency, distributors have been given the option to postpone implementation of their May 1, 2020 rates until November 1, 2020. Further [guidance](#) on the implementation of the decisions for distributors choosing to postpone May 1, 2020 rates was provided on April 17, 2020. The guidance indicated that Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues was to be used to record any temporarily forgone distribution revenues due to postponing rate implementation. The forgone distribution revenues were to be tracked separately within this sub-account by customer rate class.

### **Forgone Revenues from Postponing Rate Implementation Sub-account**

#### **1. Establishment of the Sub-account**

The OEB is updating its April 17, 2020 guidance regarding forgone revenues due to the postponement of rate implementation. These amounts should now be recorded in a new sub-account called Forgone Revenues from Postponing Rate Implementation instead of the Lost Revenues sub-account. Any utility that has already recorded forgone revenue amounts due to postponing rate implementation in the Lost Revenues sub-account must transfer these amounts to the Forgone Revenues from Postponing Rate Implementation sub-account.

The OEB is of the view that a separate sub-account for forgone revenues due to postponing rate implementation will allow for greater clarity and transparency of amounts recorded for this type of forgone revenue and the potential recovery of it. Based on past rate applications where i) rate implementation occurred subsequent to the effective date and ii) the associated forgone revenues were to be recovered, the OEB is of the view that the calculation for this type of forgone revenue is mechanistic.

Furthermore, the April 17, 2020 guidance indicated that a distributor's request for approval to recover amounts related to the postponement of the implementation of May 1, 2020 rates will be treated similarly to the way the OEB has historically treated implementation of OEB orders for cost of service rate decisions for electricity distributors that occur subsequent to the effective dates. The April 17, 2020 guidance also stated that OEB staff will provide a spreadsheet that distributors can use to show the calculations of the class-specific forgone revenue rate rider. A separate sub-account to clearly distinguish forgone revenues related to the postponement of rate implementation from other amounts recorded in the Lost Revenues sub-account that are subject to the consultation would assist in facilitating a mechanistic recovery

process for discrete identifiable forgone revenue amounts due to postponement of rate implementation. It will also enable more transparent accounting and reporting of this type of forgone revenue.

The OEB is therefore ordering the establishment of a new sub-account under the Impacts Arising from the COVID-19 Emergency Account, to be called the Forgone Revenues from Postponing Rate Implementation sub-Account. The new sub-account is to be used to record forgone revenues due to the postponement of rate implementation as a result of COVID-19. The effective date for the sub-account will be the approved effective date of the new rates that are postponed for implementation due to the COVID-19 emergency. Electricity distributors shall establish a new sub-account under Account 1509 and natural gas distributors shall establish a new sub-account under Account 179 if needed.

The OEB has addressed the approach to capturing any forgone revenues for electricity transmitters in its recent decision on Uniform Transmission Rates for 2020.<sup>1</sup>

The postponement of rate implementation for May 1, 2020 rates was optional for electricity distributors. If postponing distributors choose not to seek recovery of the forgone revenues, any associated amounts recorded in the Forgone Revenues from Postponing Rate Implementation sub-account should be written off.<sup>2</sup>

In addition, carrying charges at the OEB's prescribed rate will be optional for the Forgone Revenues from Postponing Rate Implementation sub-account.

## **2. Applicability of the COVID-19 Forgone Revenue Rate Rider Model and Guidance**

Accompanying this accounting order is the COVID-19 Forgone Revenue Rate Rider Model (i.e. the spreadsheet referenced in the April 17, 2020 guidance) as well as additional guidance on the mechanistic approach in calculating and requesting recovery of forgone revenues (Forgone Revenue Guidance). Electricity distributors that postponed their Incentive Rate-Setting decisions for May 1, 2020 rates must use the COVID-19 Forgone Revenue Rate Rider Model and Forgone Revenue Guidance when requesting recovery of forgone revenues through the OEB's administrative process as described in the Forgone Revenue Guidance. Other electricity distributors that postpone rate implementation as a result of COVID-19 and record amounts in Account 1509, Sub-

---

<sup>1</sup> EB-2020-0180, Decision and Order, 2020 Uniform Transmission Rates, Revised July 31, 2020

<sup>2</sup> As amounts will be transferred from the Lost Revenues sub-account to the Forgone Revenues from Postponing Rate Implementation sub-account, there should be nothing to write-off in relation to the Lost Revenues sub-account associated with forgone revenue.

account Forgone Revenues from Postponing Rate Implementation are expected to use the COVID-19 Forgone Revenue Rate Rider Model and Forgone Revenue Guidance as applicable, for the basis of the calculation and request for recovery of forgone revenues. Any natural gas distributor with this type of forgone revenue is expected to request recovery of forgone revenues through its own case specific proceedings.

This Accounting Order is being issued by delegated authority under section 6 of the *Ontario Energy Board Act, 1998*.

**DATED at Toronto August 6, 2020**

**ONTARIO ENERGY BOARD**

*Original signed by*

Theodore Antonopoulos  
Vice President  
Applications Division