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BY E-MAIL AND WEB POSTING

**To: All Licensed Electricity Distributors
All Other Interested Parties**

Re: Accounting Guidance related to Implementation of *Fair Hydro Act, 2017*

On June 29, 2017, the OEB issued a [letter](#) providing guidance on the implementation of the *Fair Hydro Act, 2017* (June Letter), including issues related to:

- the bill reductions under Part II of the *Ontario Fair Hydro Plan Act, 2017*, whether through Regulated Price Plan (RPP) prices or the new “GA Modifier”
- the new Distribution Rate Protection (DRP) and First Nations Delivery Credit (FNDC) programs.

This letter provides accounting guidance related to the above, consistent with the accounting guidance provided to distributors at the July 2017 annual Orientation Session for electricity distributors that are rebasing for 2018 rates and at the IRM process webinar for 2018 IRM filers.

A. Accounting Guidance on RPP Settlement and GA Modifier

1. Eligible (“Specified”) customers that pay RPP prices:

As set out in the June Letter, RPP prices are to be implemented in the normal course using invoicing and settlement processes that have been in place for some time.

The IESO has replaced Charge Type 142, “RPP Settlement Amount”, with new Charge Type 1142, “Ontario Fair Hydro Plan Eligible RPP Consumer Discount Settlement Amount”. Distributors should record Charge Type 1142 in their books of accounts in the

same manner as they did Charge Type 142. There is no other change in accounting for RPP-related revenues, expenses or variance account transactions. Distributors should continue to follow the accounting guidance that is already in place in relation to those transactions.

2. Eligible (“Specified”) customers that are not paying RPP prices:

For each calendar month, distributors are to estimate the aggregate GA Modifier credit amounts for eligible customers during the month and submit a claim to the IESO or their host distributor, as applicable. The June Letter provides guidance on how to determine GA Modifier credit amounts.

Claims to the IESO for a calendar month must be made by the 4th business day of the following month. Amounts claimed will appear as Charge Type 1143 on invoices issued by the IESO. The OEB expects that claims to a host distributor will be made on a timely basis, in the format and at the times specified by the host distributor.

Distributors are expected to follow accrual accounting in respect of GA Modifier credit amounts recovered from the IESO or a host distributor and in respect of amounts applied to their eligible customers. Invoice amounts from the IESO or a host distributor for GA Modifier claims and amounts credited to eligible customers should be recorded in sub-accounts of a clearing Accounts Payable or Accounts Receivable account, as applicable.

Distributors must perform monthly reconciliations of the applicable sub-accounts, and maintain records of the claims submitted to the IESO or their host distributor, as applicable, and of the GA Modifier credit amounts provided to their eligible customers.

GA Modifier-related transactions will not affect the amounts recorded in the distributors’ Global Adjustment expenses, revenues or variance accounts.

B. Distribution Rate Protection and First Nations Delivery Credit Programs

Distributors whose customers are eligible for the DRP or the FNDC are to do the following for each program separately:

- for each calendar month, estimate the aggregate amounts for customers eligible for the program during the month; and
- submit a claim to the IESO or their host distributor, as applicable.

As set out in the June Letter, claims to the IESO for a calendar month must be made by the 4th business day of the following month. Amounts claimed will appear on invoices issued by the IESO as Charge Type 705 for the FNDC program and as Charge Type 706 for the DRP program. Claims to a host distributor must be made on a timely basis, in the format and at the times specified by the host distributor.

Distributors are expected to follow accrual accounting in respect of DRP and FNDC credit amounts recovered from the IESO or a host distributor and amounts applied to their eligible customers. Invoice amounts reflecting DRP or FNDC claims and amounts credited to eligible customers should be recorded in separate DRP or FNDC related sub-accounts of a clearing Accounts Receivable or Accounts Payable account, as applicable.

Distributors must perform monthly reconciliations of the applicable sub-accounts, and maintain records of the claims submitted to the IESO or their host distributor, as applicable, and of the DRP and FNDC credit amounts provided to their eligible customers.

DRP and FNDC-related transactions will not affect the amounts recorded in a distributor's expenses, revenues or variance accounts.

Any inquiries relating to this letter should be directed to Dan Gopic, Manager, Incentive Rate Setting and Accounting at 416-440-7654 or dan.gopic@oeb.ca.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary