



Ontario
Energy
Board | Commission
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BY EMAIL AND WEB POSTING

February 10, 2021

**To: All Rate-Regulated Electricity Distributors
Independent Electricity System Operator
All Other Interested Parties**

**Re: Accounting Order (001-2021) for the Establishment of an Accounts
Receivable Account for Financial Assistance Provided to Customers**

Purpose

The purpose of this accounting order is to require rate-regulated electricity distributors to establish a new deferral account called Accounts Receivable for Financial Assistance and to provide supplementary accounting guidance for the Ontario Electricity Rebate (OER).

Background

On November 1, 2019, the 8% Provincial Rebate was replaced with the OER.¹ The Ontario Energy Board (OEB) previously issued the following accounting guidance:

- on the 8% Provincial Rebate, in its [February 9, 2017 letter](#)
- on the OER, in its [October 25, 2019 letter](#), [December 4, 2019 letter](#) and [February 24, 2020 letter](#)

¹ At 31.8% when initially introduced, revised to 33.2% effective November 1, 2020, and subsequently revised to 21.2% effective January 1, 2021.

In the February 24, 2020 letter, OEB staff reminded distributors that the accrual method of accounting is expected to be used in all circumstances where actual OER amounts to the end of the calendar month have not yet been included in the bills to customers (as a credit rebate on the bill). OER claims submitted to the Independent Electricity System Operator (IESO) or host distributor are expected to represent a full calendar month. Distributors were also reminded that they must perform monthly reconciliations between the OER rebate provided to customers and the amount claimed from the IESO or host distributor against the applicable Accounts Receivable sub-accounts for OER to ensure OER amounts are accurate. The letter also indicated that OER-related transactions should be recorded in Accounts Receivable sub-accounts.

Accounts Receivable Account for Financial Assistance Provided to Customers

1. Establishment of the Account

Financial assistance programs, such as the OER, may be for material amounts and become a routine part of distributors' normal operations. Therefore, to provide greater transparency and to assist in better tracking of material financial assistance amounts, the OEB is hereby ordering the establishment of the new control Account 1115 - Accounts Receivable for Financial Assistance. This account is effective January 1, 2021. Distributors are required to implement the guidance as noted in this accounting order by March 31, 2021.

The accounting order is being issued pursuant to s. 78(3) of the *Ontario Energy Board Act, 1998*, on the OEB's own initiative. In accordance with s. 21(4)(b) of the Act, no hearing was held, as no one will be adversely affected in a material way by the order. It is purely administrative in nature and will not increase rates. Its purpose is simply to ensure the amounts associated with financial assistance programs are tracked separately, to facilitate the settlement of financial assistance amounts.

Distributors are to use the Account 1115 control account, and the three associated sub-accounts discussed below, to record receivable amounts related to the OER. The control account and sub-accounts are as follows:

Account 1115 – Accounts Receivable for Financial Assistance

This control account will record receivables resulting from financial assistance programs for distributors' customers, where distributor settlement of financial assistance amounts involves a direct reimbursement of the amounts credited to customers.

Account 1115 – Accounts Receivable for Financial Assistance, Sub-account
[Program Name] Billed

This sub-account will record the [Program Name] financial assistance billing amounts that have been credited on customers' bills. This sub-account will include the life-to-date [Program Name] financial assistance transactions recorded through a distributor's Billing Journal.²

Account 1115 – Accounts Receivable for Financial Assistance, Sub-account
[Program Name] Unbilled

This sub-account will include the accrued [Program Name] financial assistance unbilled amounts that have not yet been credited on customer bills, but will be in subsequent month(s). At any given month-end, the balance in this sub-account will correspond to the current accrued unbilled amount related to the [Program Name] financial assistance at the end of the most recent reporting period. Any previously-recorded unbilled financial assistance amounts from prior months are to be automatically reversed at the start of each month.

Account 1115 - Accounts Receivable for Financial Assistance, Sub-account
[Program Name] Received

This sub-account will include the [Program Name] financial assistance amounts received. This sub-account will include the life-to-date [Program Name] financial assistance amounts credited to the distributor as per the IESO/host distributor bill.³

This sub-account may also include accrued financial assistance amounts receivable from the IESO or host distributor and associated reversing transactions, as applicable, depending on a distributor's particular circumstances with respect to offsetting the OER receivable for accounting purposes.

The use of Account 1115 is mandatory for OER. OER amounts that were previously recorded in other Accounts Receivable sub-accounts must be transferred to the applicable Account 1115 sub-accounts for OER by March 31, 2021, effective January 1, 2021.

² Distributors may elect to clear amounts in the Billed sub-account against the Received sub-account on an annual basis for record-keeping purposes.

³ Ibid.

Distributors have the option to use Account 1115 for other financial assistance programs, such as:

- Distribution Rate Protection under section 79.3 of the *Ontario Energy Board Act, 1998*
- First Nations Delivery Credit
- Ontario Electricity Support Program (OESP)
- COVID-19 Energy Assistance Programs (CEAP)

Aggregating other financial assistance programs into a single control account may be beneficial to distributors, for example, for presentation or reporting purposes. However, some of these other programs may or may not be material to a distributor, and the efforts to amend existing accounting practices and use Account 1115 may be extensive. As such, the use of Account 1115 is optional for other established financial assistance programs.

If Account 1115 is used for such programs (other than OER), distributors must transfer amounts from the existing sub-accounts to a discrete set of three sub-accounts established for each program. Note however, that the OESP and CEAP are settled on an as-billed basis, and therefore, the Unbilled sub-accounts for OESP and CEAP, respectively, would not be applicable. The sub-accounts' name would be amended by inserting the name of the program for which it is established.

2. Accounting Guidance

The following provides guidance on how to account for the OER on an accrual basis. An illustrative journal entry example for the OER is provided in Appendix A.

The OER example addresses the journal entries that would be applicable for each of:

- a distributor that is a wholesale market participant and is not embedded in a host distributor
- a fully-embedded distributor that is not a wholesale market participant
- a fully-embedded or a partially-embedded distributor that is a wholesale market participant

A monthly reconciliation in the manner as presented in the Appendix must be performed. In any given month, the sub-account for OER Billed should reconcile to the life-to-date OER billed to customers (after adjusting for any annual, offsetting clearing entries). The sub-account for OER unbilled will equal to the current month's OER

unbilled accrual. The sub-account for OER Received should reconcile⁴ to the life-to-date payments received for the OER (after adjusting for any annual, offsetting clearing entries). The sum of the three sub-accounts' closing monthly balances should be equal to that month's OER claim amount submitted for reimbursement.⁵

A combination of both billed and accrued unbilled customer counts, kilowatt hour (kWh) consumption quantities, and the dollar-value claim amount reported for OER purposes must be used to derive the data to be reported to the IESO or host distributor for OER-eligible customers. The data reported to the IESO or host distributor must represent full calendar month data for OER-eligible customers.

Closing

Any questions relating to this matter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelations@oeb.ca. Please include "OER Accounting Guidance" in the subject line.

Yours truly,

Original signed by

Christine E. Long
Registrar

⁴ The sub-account should reconcile to the life-to-date payments received for OER plus any month-end accruals for financial assistance amounts due to the distributor from the IESO or host distributor, if an accrual entry is applicable to the distributor's circumstances.

⁵ The sum of the three sub-accounts would exclude any month-end accrual for financial assistance amounts due to the distributor from the IESO or host distributor, if applicable.