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BY E-MAIL AND WEB POSTING

July 20, 2018

To: All Rate-Regulated Licensed Electricity Distributors

Re: OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts

This letter is to advise electricity distributors that the OEB is undertaking an initiative to standardize the accounting processes used by distributors relating to RPP wholesale settlements and accounting procedures (including the treatment of unbilled revenue) to improve the accuracy of accounts 1588 - RSVA Power and 1589 - Global Adjustment (the commodity pass-through variance accounts).

The OEB is of the view that standardization of accounting procedures would assist to improve the accuracy of commodity pass-through variance accounts. The OEB will initially develop further accounting guidance to commence the standardization of accounting procedures.

The OEB recognizes that RPP wholesale settlements have evolved over time. Based on reviews of rate applications where the commodity pass-through variance accounts have been reviewed for disposition, regulatory audits conducted by the OEB, and feedback received from stakeholders about the need for further accounting guidance, the OEB will be developing incremental guidance as to how commodity-related account balances should be captured on a timely basis. This will facilitate the standardization of accounting procedures that should assist in improving the accuracy of commodity pass-through variance accounts.

Effective immediately, the OEB will not be approving Group 1 rate riders on a final basis pending the development of this further guidance. Whether the riders will be approved on an interim basis or not approved at all (i.e. no disposition of account balances) will be determined on a case by case basis, until such time as the OEB has finalized the new standardized requirements for regulatory accounting and RPP settlements.

Based on the lessons learned through rate proceedings and regulatory audits, the OEB will conduct webinars to propose specific areas that could benefit from improved guidance. The OEB will hold further webinars once the guidance is finalized to provide distributors an opportunity to review and discuss the guidance with OEB staff. This is expected to be completed in calendar year 2018.

The result of the new standardized accounting procedures will be that distributors dispose of accurate commodity pass-through variance account balances to enable accurate rates for customers. The OEB may undertake a broader policy framework in the future to explore the use of smart meter data, the review of RPP settlement processes with the IESO, standardizing the expectations for internal controls and accounting procedures employed by utilities, and updating the Accounting Procedures Handbook.

Any questions relating to this letter should be directed to Industry Relations at Industryrelations@oeb.ca.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary