



Ontario Energy Board

Commission de l'énergie de l'Ontario

OEB Cost Allocation Review

Accumulated Amortization and Amortization Expense

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Background

- RRR filing and 2006 EDR allow grouping in one account
- Cost Allocation allocates costs on an account basis
- For this study, particular asset accounts have to be further broken down
For Example:
 - Stations: >50 kV and < 50 kV
 - Distribution Asset: Levels 1, 2 and 3

Note: Contributed Capital is Discussed Separately



Accumulated Amortization – Breakout

Methodology

- LDC likely has asset continuity schedule
- Accounting records for tax purposes (CCA)
- As a last resort an LDC can use OEB Audit Group's spreadsheet to break out accumulated depreciation

Amortization Expense Breakout

Methodology

- Propose the amortization expense be prorated in the same ratio as the accumulated amortization to the various assets

Accumulated Amortization Spreadsheet

- General Approach / Assumptions
- Mechanisms of the spreadsheet

Accumulated Amortization and Amortization Expense

- Spreadsheet built using 2004 industry-wide data
- Allocates accumulated amortization in accounts 2105 and 2120
- Assumptions:
 - Only accumulated amortization for utility assets in 2105 and 2120
 - Allocation based on 2 strata of data:
 - Strata 1 – Assets with amortization rates of 2% - 4%
 - Strata 2 – Assets with amortization rates of 6.7% - 20%
 - Amortization rates per 2006 Handbook

