

Welcome to the Webinar on Accounting Related Matters

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Overall Agenda

1. GA Analysis Workform
2. Account 1595 Workform
3. OEB Staff's Expectations for OEB Directed DVA Reviews or Audits
4. Accounting Matters Related to COVID-19



GA Analysis Workform

Webinar
June 25, 2020



Agenda – GA Analysis Workform

1. Background
2. Accounting Guidance
3. GA Analysis Workform
4. Updates to the GA Analysis Workform
5. Reconciling Items vs. Principal Adjustments
6. Examples of Reconciling Items
7. Principal Adjustments Tab
8. Lessons Learned from Prior Applications
9. Questions

Background

- OEB instituted the GA Analysis Workform starting in all 2018 rate applications due to concerns over the accuracy of account balances.
- The Workform was developed as a reasonability tool to assess the accuracy of the balance in Account 1589 – RSVA GA before requesting disposition.
- Account 1588 – RSVA Power is closely interrelated with Account 1589. However, accounts 1588 and 1589 relate to different subsets of customers.

Accounting Guidance

- The OEB issued *Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589* and associated Illustrative Model, on February 21, 2019.
 - Effective January 1, 2019, to be implemented by August 31, 2019.
- Expectation is that all transactions recorded in accounts 1588 and 1589 during 2019 were accounted for in accordance with this guidance.
 - Workform assumes this to be the case.
 - Appendix A in the GA Analysis Workform Instructions and RPP settlement description are no longer required, unless the accounting guidance was not implemented in 2019.
- In 2019 rate applications, Group 1 accounts were only approved on an interim basis, if approved for disposition. Distributors are expected to consider the accounting guidance in the context of pre-2019 historical balances that have yet to be disposed on a final basis.
 - Refer to the Filing Requirements for details.
- Noted improvement in reasonableness of commodity account balances as evidenced by those that received final disposition approvals of 2018 balances.

GA Analysis Workform

- The Workform is a stand-alone spreadsheet available on the OEB's website.

- Instructions to the Workform are in a separate document.
 - Includes Appendix A, if applicable and Appendix B for example of reconciling items/principal adjustments.

- **The Workform is required to be completed irrespective of whether Group 1 DVA disposition is sought.**

- The Workform is to be completed from the year following the last approved disposition (interim or final).
 - If there are adjustments to Account 1589 GA balance that was previously approved on an interim basis, the Workform is required to be completed from the year following final disposition.

GA Analysis Workform - Methodology

- The Workform calculates an amount that can be reasonably expected in Account 1589 and is reconciled to the GL balance.
- The Workform is an annual reconciliation analysis based on calendar month kWh volumes for revenues and expenses.
 - Assumes kWh volumes sold adjusted for losses are equal to purchased kWh volumes based on formula:
Billed kWhs minus prior month unbilled kWhs plus current month unbilled kWhs
 - Distributors who have more precisely allocated monthly kWh volume data available may propose to use this data in the Workform.
- Expected account balance is the difference between monthly revenues at the GA rate billed and monthly expense at the IESO actual GA rate.

GA Analysis Workform - Methodology (cont'd)

- The same GA rate is to be used for all non-RPP Class B customers within a customer class (per O.Reg. 429/04, Section 16(3)).
 - Where a distributor uses multiple GA rates, but no more than one GA rate within a customer class to bill non-RPP Class B customers, the Workform would have to be adapted for this.

- All reconciling items in the Workform are to be addressed.

- Materiality Threshold:
 - Assessed on an annual basis based on a threshold of +/- 1% of the annual IESO GA charges.
 - Any unexplained discrepancy greater than materiality would prompt further analysis.

Updates to the GA Analysis Workform

- Questions on Info tab have been revised
- Following requirements are not new, but now explicitly added to Workform:
 - Confirmation that same GA rate is used to bill all customers classes
 - Explanation section if unbilled consumption columns are not used in the calculation of expected GA balance
 - Explanation section if the difference between the loss factor calculated in Workform and the approved loss factor is greater than 1%
- 2019 Workform reconciling items have been revised
- Principal adjustment reconciliation has been moved from Appendix A to new principal adjustment tab in the Workform for both Accounts 1588 and 1589
- GA Analysis Workform Instructions
 - Appendix B - Revised examples of reconciling items 2a, 2b (unbilled to billed revenue), 3a, 3b (load transfers)

Reconciling Items vs. Principal Adjustments

- Reconciling items explain the difference between the expected balance in the Workform and the GL balance.
- Principal adjustments are amounts that adjust the balance in the GL to the appropriate balance to be requested for disposition in the DVA Continuity Schedule.
- Reconciling items may or may not be principal adjustments.
- Refer to GA Workform Instructions – Appendix B for detailed examples of reconciling items and principal adjustments.

Example of Reconciling Item 1a and 1b

True-up of GA Charges based on Actual Non-RPP Volumes

Assume:

- Year-end cost of power accrual based on IESO power bill for December 2019 was booked in the December 2019 GL
 - Estimated non-RPP Class B volumes was lower than actual volumes. Therefore, estimated GA costs were lower than actual GA costs.
 - The true-up of estimated to actual GA costs was not included in the 2019 GL.
- **Reconciling item** - A debit reconciling item required in the 2019 Workform.
- Expected GA balance calculated in Workform is for the entire calendar year (i.e. including the true-up). The GA balance in the GL does not include the true-up.
- **Principal adjustment** – A debit principal adjustment required in DVA Continuity Schedule to true-up understated 2019 GA costs to actual costs.
- The same rationale/adjustments applies for each year end/beginning of the year.

Reconciling Item 2a and 2b

Unbilled Revenue Differences

- Distributors are to record the unbilled to actual GA revenue (billed in subsequent year) true-up in the year in which it relates for account disposition purposes.

New: Reconciling item and Principal Adjustments

	GA Analysis Workform Calculated Expected GA Balance - Table incorporates unbilled consumption in columns G and H	GA Analysis Workform Calculated Expected GA Balance - Table does not incorporate unbilled consumption in columns G and H
GL balance -includes unbilled to actual revenue true-up		
GL balance -does not include unbilled to actual revenue true-up	-Reconciling item is not required -Principal adjustment is required	-Reconciling item is required -Principal adjustment is required

Example of Reconciling Item 2a and 2b

Unbilled Revenue Differences

Assume:

- Unbilled GA revenue for non-RPP Class B customers at the end of 2019 was higher than actual revenue billed in 2020, pertaining to 2019 fiscal year.
 - Unbilled consumption is incorporated in the calculated Expected GA Balance table of the Workform.
 - 2019 GL did not include the unbilled to actual revenue true-up, but was included in the 2020 GL through normal billing journal entries.
- **Reconciling item** – None required
- Both the expected GA balance calculated in the Workform and the GA balance in the GL are based on the same level of consumption (i.e. estimated unbilled consumption), so there is no misalignment between the Workform and GL.
- **Principal adjustment** - A debit principal adjustment required in DVA Continuity Schedule to true-up the overstated 2019 unbilled revenues to actual revenues.
- The same rationale/adjustments applies for each year end/beginning of the year.

Reconciling Item 3a and 3b

Load Transfer Accrual Differences

- Amounts pertaining to load transfers may be unknown at the year-end and therefore, accrued based on estimate. This may or may not have been billed by year-end. A true-up of accrued/unbilled to actuals would be done in the following year.

New: Reconciling Item and Principal Adjustment

	GA Analysis Workform Calculated Expected GA Balance - Table incorporates accrued/unbilled consumption	GA Analysis Workform Calculated Expected GA Balance - Table does not incorporate accrued/unbilled consumption
GL Balance - Includes accrued/unbilled to actual revenue or cost true-up		
GL Balance - Does not include accrued/unbilled to actual revenue or cost true-up	-Reconciling item is not required -Principal adjustment is required	-Reconciling item is required -Principal adjustment is required

Example of Reconciling Item 3a and 3b

Load Transfer Accrual Differences

Assume:

- Differences between accrued and billed revenue as a physical distributor.
 - The accrued revenue amount at the end of 2019 was lower than actual revenue billed in 2020, pertaining to 2019 fiscal year.
 - Actual consumption data is used in calculated Expected GA Balance table of the Workform.
 - The 2019 GL did not include the accrued to actual revenue true-up
- **Reconciling item** – A credit reconciling item required in the 2019 Workform
- The expected GA balance calculated in the Workform (reflecting actual consumption) and the GA balance in the GL (reflecting estimated accrued consumption) for the year-end are based on different levels of consumption and are not aligned.
- **Principal adjustment** – A credit adjustment required in the DVA Continuity Schedule to true-up understated 2019 accrued revenue to actual revenue.
- The same rationale and adjustments applies for each year end/beginning of the year.

Example of Reconciling Item 4

Elimination of GA Class A amounts

- No variance related to Class A customers should be in Account 1589 as unbilled revenue should be accrued based on the same estimated accrual for Charge Type 147.

Assume:

- The sum of all transactions relating to Class A customers was a credit adjustment.
- **Reconciling item** – A credit reconciling item required in the 2019 Workform.
 - The expected GA balance calculated in the Workform is based only on Class B consumption. The GA balance in the GL includes a variance relating to Class A customers.
- **Principal adjustment** – A credit principal adjustment required in the DVA Continuity Schedule to remove Class A related variance recorded in the GA balance in the GL.

Example of Reconciling Item 5

Significant prior period billing adjustments

- Normal part of business for distributors to make billing corrections, bill cancellations, and re-billings. Where billing adjustments relate to prior calendar years for non-RPP customers, there is an impact to Account 1589.

Assume:

- Significant billing adjustments in 2019 related to GA revenue for the prior two years.
- The billing adjustment was recorded in the 2019 GL and 2019 year billing stats.
- **Reconciling item** – Reconciling item required in the 2019 Workform
 - The expected GA balance calculated in the Workform is calculated in part, from GA costs that reflect the 2019 billing adjustment as the current year billing stats are used to approximate GA costs in the Workform. The GA balance in the GL would not include the GA costs relating to the 2019 billing adjustment as it would have been paid to the IESO at actual rates in prior periods.
- **Principal adjustment** – Not required as the GA balance in the GL reflects actual events that occurred in the year.

Reconciling Item 6

Differences in GA Charged by the IESO relating to prior period(s):

- This reconciling item is only expected to potentially apply to GA balances prior to 2019. The methodology in the February 21, 2019 accounting guidance would not produce any differences between the GA charged by the IESO in the monthly invoices, and the GA rate used for RPP settlement purposes.

- Effective February 28, 2019, the IESO established Charge Type 2148 to capture corrections to prior period input data for embedded generation, energy storage or Class A load quantities for the impacted market participant. Only the market participant requesting the prior period correction will see Charge Type 2148 on its IESO invoice.
 - **Reconciling item** – Required in the GA Analysis Workform as Charge Type 2148 would not be reflected in the actual GA rate used in the Workform to calculate the expected GA balance.
 - **Principal adjustment** – Not required as charge type 2148 would have been recorded in the GL.

Example of Reconciling Item 6

Differences in GA Charged by the IESO relating to prior period(s):

Assume:

- The IESO made adjustments on a distributor's monthly invoices during the year, so that the actual billed GA cost/kWh was higher than the posted GA actual/kWh.
- **Reconciling item** – A credit reconciling item required in the 2019 Workform.
 - The expected GA balance calculated in the Workform reflects GA expense based on the posted GA rate while the GA balance in the GL reflects GA expense based on the higher actual GA rate billed by the IESO.
 - To remove the difference between the Workform and the GL, a credit reconciling item is needed to the GL balance because the Workform adjusts the GA balance in the GL to reconcile with the expected GA balance in the Workform.
- **Principal adjustment** – Not required as the GA balance in the GL reflects the actual higher cost billed by IESO.

Example of Reconciling Item 7

Differences between actual system losses and approved Total Loss Factors (TLF) billed to customers

- Where significant total system losses are identified, a distributor should be able to explain the operational reasons for the large differences.

Assume:

- A distributor calculates the actual total system losses to be significantly greater than billed TLF to non-RPP customers.
- **Reconciling item** – A credit reconciling adjustment is required in the 2019 Workform.
 - The expected GA balance in the Workform is calculated in part, from GA expense based on consumption including billed loss factor, which is significantly lower than the actual system losses reflected in the GA balance in the GL.
 - To remove the difference between the Workform and the GL, a credit reconciling item is needed to the GL balance because the Workform adjusts the GA balance in the GL to reconcile with the expected GA balance in the Workform.
- **Principal adjustment** – Not required as the GA balance in the GL reflects higher actual system losses.

Other Reconciling Items

- Depending on a distributor's circumstances, a distributor may have other types of reconciling items.
- Distributor would have to provide a detailed explanation of the cause of the reconciling item and provide calculations for any additional items included in the Workform.

Principal Adjustments Tab

- New tab in the Workform to reconcile the GL balance to the balance requested for disposition for Accounts 1588 and 1589.
- Principal adjustments adjust the GL balance to the balance requested for disposition, which would reflect the calendar year transactions in the account.
 - Reduces year-over-year volatility in account balances and bill impacts.
 - Reduces intergenerational inequity
- Principal adjustment reconciliation required for each year being requested for disposition.
 - Requires breakdown of principal adjustments in last approved balance to determine whether these adjustments need to be reversed in the current year DVA balance.

Lessons Learned from Prior Applications

- Increased accuracy of account balances after material adjustments made, after utilities have considered the February 21, 2019 accounting guidance in the context of historical balances.
- Inability to obtain actual consumption on a monthly basis may impact monthly true-ups for RPP settlements and account balances.
 - OEB staff encourages distributors to find a way to make use of smart meter data for RPP settlements and unbilled revenue calculations
- Incorrect treatment of reconciled items and principal adjustments in the GA Analysis Workform and DVA Continuity Schedule.
 - Reconciling items not adjusted in right direction (i.e. DR/CR).
 - Reconciling items made one year, not appropriately reversed the following year.
 - Associated principal adjustment not made.
- Large unreconciled differences in the GA Analysis Workform was not sufficiently explained.
- Large Account 1588 balance that cannot be sufficiently explained.
 - Typically the balance in Account 1588 is expected to be mainly the difference between actual and approved line losses referred to as unaccounted for energy.
- GA Modifier was incorrectly included in Account 1589.

Questions





Account 1595 Workform

Webinar
June 25, 2020



Agenda

1. Background
2. Walkthrough Example
3. Lessons Learned from Prior Applications
4. Questions?

Background

- OEB instituted Workform starting for all 2019 rate applications.
 - In recent applications, several distributors requested the recovery of large residual balances, which they were unable to adequately justify.
 - Workform was developed to help the OEB assess if the residual balances in Account 1595 sub-accounts are reasonable.
- **Workform must be completed for all Account 1595 sub-accounts that are eligible for disposition, irrespective of if disposition is sought:**
 - **Revised Eligibility:** Sub-account balance as at the end of two years after the expiry of the rate rider, (i.e. requested for disposition in the fourth rate year after expiry of the rate rider)
 - Request final disposition of residual balances for Account 1595 sub-accounts only once.
- The full Workform will only need to be completed where an initial test, at the group account level, identifies that there is a material residual account balance exceeding 10% of the original amounts approved for disposition.

1595 Analysis Workform - Walkthrough

	Eligible for disposition?
2014 and pre-2014	<input type="text" value="No"/>
2015	<input type="text" value="No"/>
2016	<input type="text" value="No"/>
2017	<input type="text" value="No"/>
2018	<input type="text" value="No"/>
2019	<input type="text" value="No"/>

Note that vintage years 2018 and 2019 are not eligible for disposition in the current rate year application.

- Utilities will select their name from the dropdown menu and indicate which 1595 sub-account vintage year is eligible for disposition.
 - A workform will be generated for each year selected.

Walkthrough Example – Step 1

Step 1

Components of the 1595 Account Balances:	Principal Balance Approved for Disposition	Carrying Charges Balance Approved for Disposition	Total Balances Approved for Disposition	Rate Rider Amounts Collected/(Returned)	R Per an Appr
Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment	\$100,000	\$20,000	\$120,000	\$85,000	
Account 1589 - Global Adjustment	-\$30,000	-\$5,000	-\$35,000	-\$27,500	
Total Group 1 and Group 2 Balances	\$70,000	\$15,000	\$85,000	\$57,500	

1. Enter the principal balances and carrying charges that were approved, separating the amounts by GA (Account 1589) and the remainder of all other accounts.
 - Refer to the DVA Continuity Schedule that approved the amount to be transferred to the particular 1595 sub-account.
2. Enter the total amounts that have been collected from (or returned to) customers during the rate rider period, separating the GA rate rider amounts from all other rate riders.

Walkthrough Example – Step 1 (con't)

Total Balances Approved for Disposition	Rate Rider Amounts Collected/(Returned)	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Carrying Charges Recorded on Net Principal Account Balances	Total Residual Balances	Collections/Returns Variance (%)
\$120,000	\$85,000	\$35,000	\$2,000	\$37,000	29.2%
-\$35,000	-\$27,500	-\$7,500	-\$500	-\$8,000	21.4%
\$85,000	\$57,500	\$27,500	\$1,500	\$29,000	32.4%
Total residual balance per continuity schedule:				\$29,000	
Difference (any variance should be explained):				\$0	

3. Enter the carrying charges that have been recorded on the net principal account balances during the duration of the rate rider term.
 - The difference between the amounts disposed and collected, in addition to the carrying charges applied over the rider term, should sum to the amount in the DVA Continuity Schedule (before forecasted interest).
4. Enter the total principal and carrying charge balances (before forecasted interest) from the DVA Continuity Schedule. Any variance between the DVA Continuity Schedule and the total residual balances must be explained.
5. When one of the group account residual balances exceeds +/-10% of the amounts originally approved, further analysis is required.

Walkthrough Example – Step 2

Step 2 **Select Rate Rider(s) Applicable for 1595 Recovery Period by indicating "Yes" in column G**

Rate Rider- Group 1 DVA Accounts (Excluding Global Adjustment)
 Rate Rider- Group 1 DVA Accounts (Excluding Global Adjustment) - Non-WMP
 Rate Rider - RSVA - Global Adjustment
 Rate Rider - RSVA - Group 2 Accounts (If a separate Group 2 rate rider was created)
 Other 1
 Other 2
 Other 3

No
No
No
No
No
No
No

- When the 10% threshold is exceeded, select YES for all rate riders that apply to the 1595 sub-account being tested.
 - For each rider that applies, a table will appear to calculate the rate rider amounts approved versus those collected for each class of customers.

Walkthrough Example – Step 3

Step 3

RATE RIDER - GROUP 1 DVA ACCOUNTS (EXCLUDING GLOBAL ADJUSTMENT)
Rate Rider Recovery Period (Months)

Data used to calculate rate rider (Data to agree with Rate Generator Model and OEB Decision as applicable for the vintage year) versus actuals

Rate Class	Unit	Allocated Balance to Rate Class as Approved by OEB	Denominator Used in Rider Calculation as Approved by OEB (annualized)	Ca
RESIDENTIAL SERVICE CLASSIFICATION				
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION				
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION				
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION				
microFIT SERVICE CLASSIFICATION				
SENTINEL LIGHTING SERVICE CLASSIFICATION				
STREET LIGHTING SERVICE CLASSIFICATION				
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION				
STANDBY POWER SERVICE CLASSIFICATION				
TOTAL		\$0		

Populate data for all of the individual rate riders.

1. Input all the data, as approved by the OEB, for the calculation of the applicable rate rider, including:
 - Rate rider recovery period in months
 - Billing determinant unit for each rate class
 - Balance allocated to each rate class
 - Forecast denominator (annual kwh, # customers, etc.) used in the calculation of the rider

Walkthrough Example – Step 3 (con't)

RATE RIDER - GROUP 1 DVA ACCOUNTS (EXCLUDING GLOBAL ADJUSTMENT)
Rate Rider Recovery Period (Months)

12

Data used to calculate rate rider (Data to agree with Rate Generator Model and OEB Decision as applicable for the vintage year) versus actuals

Rate Class	Unit	Allocated Balance to Rate Class as Approved by OEB	Denominator Used in Rider Calculation as Approved by OEB (annualized)	Calculated Rate Rider as Approved by OEB	Projected Consumption over Recovery Period	Billed Consumption (kWh/kW) that the rider was applied against**	Forecasted versus billed Consumption Variance (kWh/kW)	Calculated Variance (\$)	Calculated Variance (%)
RESIDENTIAL SERVICE CLASSIFICATION	kWh	\$60,000	250,000	\$0.2400	250,000	96,280	153,720	\$36,893	61.5%
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	\$20,000	325,000	\$0.0615	325,000	400,000	-75,000	(\$4,613)	-23.1%
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	\$20,000	200,000	\$0.1000	200,000	180,000	20,000	\$2,000	10.0%
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	kWh	\$4,000	150,000	\$0.0267	150,000	150,000	0	\$0	0.0%
microFIT SERVICE CLASSIFICATION	kWh	\$12,000	260,000	\$0.0462	260,000	245,000	15,000	\$693	5.8%
SENTINEL LIGHTING SERVICE CLASSIFICATION	kW	\$4,000	80,000	\$0.0500	80,000	79,500	500	\$25	0.6%
STREET LIGHTING SERVICE CLASSIFICATION									
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION									
STANDBY POWER SERVICE CLASSIFICATION									
TOTAL		\$120,000						\$34,998	29.2%

**Data for billed consumption should not be materially different from data submitted in RRR 2.1.5.4 filings. Please refer to RRR 2.1.5.4 filings to ensure billed consumption data is reasonably accurate. There may be differences due to unbilled revenue accruals, recovery period dates, or other factors. However, any substantial deviations between billed consumption that the rider was applied against and billed consumption reported in RRR can be an indicator of rider misallocations or errors in the data used in the workflow.

2. Populate billed consumption that the rider was applied against:
 - Using billing system data, input the total units that the rate rider was applied against during the recovery period.
 - Note that this should approximate the data used in the RRR 2.1.5.4 filing (variances may exist due to calendar RRR data versus non-calendar recovery periods). Use RRR 2.1.5.4 as a guide to ensure figures are reasonable.
 - The model will compute a calculated variance, by rate class, for the specific rider. This information should guide the explanation for why a consumption/# of customers variance exists versus forecast used in establishing the rider.

Walkthrough Example – Final Summary

SUMMARY	
Total Calculated Account Balance	\$27,500
Total Account Residual Balance per Step 1 above	\$27,500
Unreconciled Differences***	(\$0)

***Any unreconciled difference between amounts reported in the residual balances section in Step 1 and amounts calculated for the total of all applicable riders in Step 3 must be explained.

Additional Notes and Comments

- Final summary - The total calculated variance, by rate rider, by rate class, as determined in Step 3 of the model should be the same as the amount in Step 1 “Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition”. Minor rounding differences may exist.
- Additional Notes and Comments - This text box allows a distributor to explain the underlying causes for the variance in individual classes and riders as determined in Step 3, or to explain any unreconciled amounts throughout the workflow.

Lessons Learned from Prior Applications

- Errors in GA rate riders - corrected balances were proportionately disposed to RPP & non-RPP customers for cost causality
- Residuals requested for disposition more than once
- Residuals not requested for disposition when eligible
- Continuing rate rider beyond the expiry date
- Distinction between principal and carrying charges are not clearly tracked.
- Best practice to monitor 1595 sub-accounts for reasonability throughout recovery period; identify and remedy errors on a more timely basis

Questions





OEB Staff's Expectations for OEB Directed Reviews or Audits

Webinar
June 25, 2020



Overview

- In some decisions and orders, OEB expressed concerns with DVA balances and have directed internal reviews or external reviews/audits.
- Some distributors have provided the results of their review/audit in a subsequent application.
 - At times, the information provided did not adequately address the OEB's concern.
 - Additional support provided would avoid further OEB staff questions/interrogatories during the proceeding.
- Some utilities have reached out to OEB staff to discuss OEB staff's expectations on the OEB ordered review/audit. OEB staff provided its expectation on type of the information and level of detail expected as outlined in next slides.
 - These are OEB staff's expectations and do not represent OEB's views on the matter.
 - Fulfilling the expectations does not guarantee disposition will be approved.
 - Further information may still be requested.

Audit/Review Report

The audit/review report should address the following:

1. Level of the assurance: review/audit, internal/external
2. Scope of the audit/review: year(s), account(s), specific items tested/reviewed
3. Criteria to which the audit/review is being conducted:
 - The Accounting Procedures Handbook and related guidance (including February 2019 guidance for Accounts 1588 and 1589)
4. Suggested Materiality threshold for total adjustments identified:
 - Account 1588 - 0.5% of annual cost of power (Account 4705)
 - Account 1589 - 0.5% of annual non-RPP Global Adjustment cost (Account 4707)
 - Account 1595: lesser of 1) 10% of the absolute amount of the originally approved rate riders and 2) the materiality threshold used in the last cost of service application

Additional Supporting Documentation

- Overall conclusions
- Specific findings for non-conformity areas
- Adjustments linked to the specific findings and detailed explanation for the adjustments
 - Consider OEB letter *Adjustments to Correct for Errors in Electricity Distributor “Pass-Through” Variance Accounts After Disposition - October 31, 2019*
- Confirmation statement that:
 - All adjustments (as per the findings) have been made to account balances and have been/will be reflected in the refiled RRRs, DVA continuity schedule and related Workforms (Account 1589 and Account 1595)
 - All recommendations for issues related to the RPP settlements have been or will be implemented

Questions



Accounting Matters related to COVID-19

Webinar
June 25, 2020

Introduction

- Summary of the OEB accounting related letters and guidance on COVID-19 since the emergency was declared
- Status update on the COVID-19 1509 Deferral Account Stakeholder consultation
- New Reporting and Record Keeping Requirements (RRR) reporting on Distributor Liquidity
- Forgone Revenue Rate Rider update for those distributors that postponed their 2020 Rates

OEB accounting related letters and guidance on COVID-19

- March 17, 2020 - the Government of Ontario declared a state of emergency under the *Emergency Management and Civil Protection Act* to help fight the spread of COVID-19.
- What's New - March 18, 2020 – Established Web page called *OEB COVID-19 Updates*
- *What's New - March 24, 2020 – Letter re: Immediate Changes to Time-of-Use Prices in Response to Coronavirus Emergency*

OEB accounting related letters and guidance on COVID-19

- What's New – March 25, 2020 and April 29, 2020 - The OEB ordered the establishment of an account to record impacts arising from the COVID-19 emergency (the Account) through accounting orders issued March 25, 2020 and April 29, 2020.
 - Three sub-accounts established
 - Billing and system changes (specific to the Ontario's government emergency order regarding time-of-use pricing)
 - Lost revenues
 - Other incremental costs
- What's New - March 27, 2020, the OEB issued additional guidance on providing relief to customers during the COVID-19 emergency, including the use of the COVID-19 deferral account.

OEB accounting related letters and guidance on COVID-19

- What's New - April 2, 2020 –Letter re: Guidance to Electricity Distributors on the Regulated Price Plan Settlement with Respect to the Emergency Order
- On April 8, 2020, the OEB hosted a webinar. OEB staff addressed questions from utilities regarding OEB correspondence issued on the COVID-19 emergency. The questions and answers related to this webinar were posted on May 14, 2020 on the OEB's [website](#).

OEB accounting related letters and guidance on COVID-19

- On April 16, 2020, the OEB decided to make the rate change optional for those electricity distributors seeking an adjustment to rates effective May 1, 2020, based on the incentive rate-setting mechanism. The OEB indicated the following:
 - Distributors that need to implement a change in rates on May 1, 2020 as scheduled may do so.
 - Distributors have the option to postpone the change in rates to November 1, 2020.
 - An opportunity for a longer postponement as November 2020 approaches may be considered by the OEB.
 - The OEB also indicated that the Account may be used to record temporarily forgone distribution revenue associated with the postponement of the implementation of May 1, 2020 rates.

OEB accounting related letters and guidance on COVID-19

- What's New – May 12 and May 20, 2020, the OEB introduced a new temporary reporting requirement for licensed electricity distributors to monitor the sector's response to the COVID-19 emergency. This is described in more detail in subsequent slides of this presentation.
- What's New - May 14, 2020, the OEB commenced a [consultation on a deferral account](#) relating to impacts arising from the COVID-19 emergency for:
 - Electricity distributors, transmitters, natural gas distributors, and Ontario Power Generation Inc. (collectively, the Utilities)

OEB accounting related letters and guidance on COVID-19

- What's New - May 15, 2020 (revised May 26, 2020) – letter providing Guidance to Electricity Distributors on Implementing the Emergency Order Regarding the Deferral of a Portion of the Global Adjustment
- What's New - May 29, 2020 – letter regarding Amendments to the Global Adjustment Regulation:
 - Revised Class A Eligibility and Partial Deferral of Global Adjustment Charges for Customers that are not on the Regulated Price Plan

OEB accounting related letters and guidance on COVID-19

- What's New – June 17, 2020 - to support the implementation of the government's new COVID-19 Energy Assistance Program (CEAP), the OEB:¹
 - Issued a Decision and Order (EB-2020-0162) amending the licences of electricity distributors and unit sub-meter providers to require them to deliver CEAP to their eligible customers
 - Stated that distributors may record the costs of CEAP implementation and administration in the COVID-19 Deferral account 1509, sub-account Other Costs

¹ On June 1, 2020, the Government of Ontario confirmed that it is making \$9 million available for CEAP to assist residential customers. The government also created a complementary program to help small business customers.

EB-2020-0133 - COVID-19 1509 Deferral Account Consultation

Purpose of Consultation:

For OEB to establish further detailed accounting guidance, including policy direction, so utilities can properly make applications for disposition of the Account balance.

Consultation Steps:

1. May 14, 2020 initiation letter
2. May 27, 2020 decision on cost award eligibility
3. May 28, 2020 preliminary stakeholder meeting
4. June 4, 2020 follow-up letter
5. June 11, 2020 written comments on draft issues list
6. June 18, 2020 reply comments on draft issues list

EB-2020-0133 - COVID-19 1509 Deferral Account Consultation

Consultation Steps Continued:

7. Issuance of a final issues list and any advanced policy direction, as required
8. Posting of data
9. July 28-30, 2020 stakeholder forum*
10. Subsequent steps to be determined in due course, following the stakeholder forum
11. At the end of the consultation, the OEB will issue accounting guidance and potentially filing requirements related to the Account

Follow the OEB's Consultation

- Please refer to the OEB's [webpage](#).

* Dates subject to change pending the OEB's finalization of the issues list

New RRR reporting requirements on Distributor Liquidity

- On May 12, 2020, the OEB introduced a new temporary reporting requirement for licensed electricity distributors to monitor the sector's response to the COVID-19 emergency.
- On May 20, 2020, the OEB issued a follow-up letter regarding this matter.
- This temporary reporting requirement has been developed to provide the OEB with information to identify how these potential issues may be affecting electricity distributors in order to monitor the financial situation of utilities during the emergency for any impact on reliability or continued service to consumers.
- The reporting requirement also requires distributors to provide information related to the balances in the Account.

Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

- The OEB provided 33 electricity distributors the opportunity to postpone implementation of their May 1, 2020 IRM rate adjustments until November 1, 2020. 24 electricity distributors opted to postpone implementation.
- An opportunity for a longer postponement as November 2020 approaches may be considered by the OEB.
- Initial implementation guidance provided in April 17, 2020 letter indicated postponing distributors shall use Account 1509 - Impacts Arising from the COVID-19 Emergency, Sub-account Lost Revenues to record any temporarily forgone distribution revenue.

Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

- Initial guidance indicated that forgone revenue may include amounts related to the base distribution rates, LRAMVA, ICM rate riders and microFIT monthly service charge.
- Now determined that postponed LRAMVA rate riders don't need to be recorded in account 1509. Should be treated in same manner as Group 1 rate riders.
 - The approved disposition rate riders may be implemented on November 1, 2020, based on the disposition period as approved in the distributor's May 1, 2020 decision. Any unrecovered or unreturned balance should remain in Account 1595 for disposition in a future proceeding.
- A COVID-19 Forgone Revenue Rate Ride Model will be issued to postponing distributors for the purposes of calculating the class-specific forgone revenue rate riders.

Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Forgone Revenue Rate Rider Model

- The model will calculate the Forgone Revenue Rate Rider for base distribution rates, ICM rate riders and microFIT monthly service charge.
- Input:
 - selection of recovery period of either six or twelve months

Rate Effective Date	May 1, 2020
Postponed Implementation Date	November 1, 2020
Forgone Period (number of months)	6
Proposed Recovery Period (number of months)	6
Sunset Date of the Forgone Revenue Rate Rider	May 1, 2021

Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Foregone Revenue Rate Rider Model Inputs Cont'd:

- actual and forecast billing determinants for the forgone period and the recovery period

Consumption and Demand	Unit	Forgone Period							Recovery Period		
		May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Total kWh	Total kW	Nov 2020 to Apr 2021 Total kWh	Nov 2020 to Apr 2021 Total kW
		Actual	Actual	Actual	Forecast	Forecast	Forecast			Forecast	Forecast
RESIDENTIAL SERVICE CLASSIFICATION	kWh	21,587,272	21,587,272	21,587,272	21,587,272	21,587,272	21,587,272	151,110,901		151,110,901	
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	500,000	8532076	8532076	8532076	8532076	8532077	51,692,458		51,692,458	
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	kW	500,000	500,000	500,000	500,000	500,000	500,000		3,500,000		3,500,000
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	kW	60,000	60,000	60,000	60,000	60,000	60,000		420,000		420,000
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kWh	70,000	70,000	70,000	70,000	70,000	70,000	490,000		490,000	
STANDBY POWER SERVICE CLASSIFICATION	kW	70,000	171,528	171,528	171,528	171,528	171,529		1,099,171		1,099,171
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	2,000	2,000	2,000	2,000	2,000	2,000	14,000		14,000	
STREET LIGHTING SERVICE CLASSIFICATION	kWh	2,000	2,000	2,000	2,000	2,000	2,000	14,000		14,000	

Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Forgone Revenue Rate Rider Model Cont'd:

- Output:
 - forgone revenue rate riders for base distribution rates and ICM rate riders if applicable

Approved 2020 Monthly Fixed Charge (MFC)	Approved 2020 Distribution Volumetric Rate (DVR)	Previously Approved Monthly Fixed Charge to Customers	Previously Approved Volumetric Charge to Customers	diff in MFC	diff in DVR	Forgone Rev (MFC)	Forgone Rev (DVR)	Forgone Rev Rate Rider (MFC)	Forgone Rev Rate Rider (DVR)
32.76	0.0000	32.21		0.55	0.0000	\$ 3,285.42	\$ -	\$ 0.50	\$ -
29.33	0.0204	28.84	0.0201	0.49	0.0003	\$ 2,941.68	\$ 17,492.46	\$ 0.45	\$ 0.0003
156.68	4.5531	154.06	4.477	2.62	0.0761	\$ 15,714.12	\$ 228,327.00	\$ 2.38	\$ 0.0634
3444.01	1.8574	3386.44	1.8264	57.57	0.0310	\$ 345,416.88	\$ 11,177.57	\$ 52.34	\$ 0.0259
26950.23	2.0239	26499.73	1.9901	450.50	0.0338	\$ 2,702,972.46	\$ 14,209.31	\$ 409.54	\$ 0.0282
13.18	0.0358	12.96	0.0352	0.22	0.0006	\$ 1,321.92	\$ 615.86	\$ 0.20	\$ 0.0005
4.24	28.0058	4.17	27.5377	0.07	0.4681	\$ 425.34	\$ 5,617.69	\$ 0.06	\$ 0.3901
2.63	20.4831	2.59	20.1407	0.04	0.3424	\$ 264.18	\$ 4,108.70	\$ 0.04	\$ 0.2853



Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Forgone Revenue Rate Rider Model Cont'd:

- customer specific payment for the change in microFIT service charge (from \$5.40 to \$4.55)

Number of Affected microFIT Customers	100
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MicroFIT Payment to Customer					
New microFIT Service Charge	Existing microFIT Service Charge	Diff	Payment to Customer	Total microFIT amount to be refunded to customers	
\$ 4.55	\$ 5.40	\$ (0.85)	\$ (5.10)	\$ (510.00)	





Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Accounting Guidance:

- OEB is considering the need for a new sub-account: Account 1509 Impacts Arising from the COVID-19 Emergency, Sub-account Foregone Revenue from Postponing Rate Decision Implementation
- All journal entries/billing journal transactions are to be supported with amounts on a rate class basis so residual balance amounts can be trued up to the correct classes of customers
- Bill impact calculations will be incorporated in the model which will incorporate 2019 rates as current rates, and the proposed rates will be the May 1, 2020 rates and the Foregone Revenue Rate Rider
- Accounting method ensures that the total amount collected will be equal i) to the amount collected had rates not been postponed, plus ii) carrying charges.

Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Accounting for Forgone Distribution and microFit revenues:

- Journal entries will have the same net impact to Account 4080 -Distribution Revenue and Account 4235 – Miscellaneous Service Revenue (for microFIT) as the case where rate implementation was not postponed.

Accounting for Transactions:

1. Actual forgone revenues to be recorded in Account 1509 on a monthly basis with an offset to Account 4080/4235 as actual billed/unbilled data becomes available.
 2. A forgone revenue rate rider will be calculated based on the Forgone Revenue Rate Rider Model assumes implementation is on November 1, 2020. The rate rider collected will be recorded in Account 1509.
 3. The audited residual balance in Account 1509 will be disposed in the next rate application (regardless of application type), according to normal disposition practices. Upon disposition, the residual balance will be transferred to Account 1595 and would be disposed proportionately by customer class.
- After the expiry of the forgone revenue rate rider (transaction #2), there will be no residual balance pertaining to microFIT remaining in Account 1509.



Forgone Revenue Rate Rider update for those distributors Postponing May 1, 2020 IRM Rates

Accounting for Postponed ICM Rate Rider:

- Journal entries will have the same net impact to Account 1508, Sub-account ICM Rate Rider Revenues as the case where rate implementation was not postponed.

Accounting for Transactions:

1. Actual forgone ICM rate rider amounts to be recorded in Account 1509 on a monthly basis with an offset to Account 1508, as actual billed/unbilled data becomes available.
2. A rate rider for forgone ICM rate rider amounts will be calculated based on the Forgone Revenue Rate Rider Model assumed to be implemented on November 1, 2020. The rate rider collected will be recorded in Account 1509.
3. The audited residual balance in Account 1509 will be disposed in the next rate application (regardless of application type), according to normal disposition practices. Upon disposition, the residual balance will be transferred to Account 1595 and would be disposed proportionately by customer class.

Questions



Thank You!