

Purpose:

To calculate an approximate expected balance in Account 1589 RSVA - GA and compare the expected amount to the amount in the General Ledger. Material differences between the two need to be reconciled and explained on an annual basis. Materiality is assessed on an annual basis based on a threshold of +/- 1% of the annual calculated IESO GA charges.

The GA Analysis Workform (Workform) also provides the principal adjustment reconciliation for Account 1589 and Account 1588 RSVA – Power, to reconcile the balances in the General Ledger to the balances requested for disposition.

Notes:

The Workform is a generic analysis template, utilities may need to alter the analysis as needed for their specific circumstances. Any alterations to the analysis must be clearly disclosed and explained.

On February 21, 2019, the OEB issued the *Accounting Procedures Handbook Update - Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589* and the related Illustrative Model. This accounting guidance was effective January 1, 2019 and was to be implemented by August 31, 2019. Based on this, the OEB expects that all transactions recorded to accounts 1588 and 1589 during 2019 will have been accounted for in accordance with this guidance. The 2019 Workform assumes this to be the case as well.

Steps for Completing the GA Analysis Workform:

If a distributor has yet to fully implement the OEB's February 21, 2019 accounting guidance effective from January 1, 2019, complete the *Appendix A, GA Methodology Description* attached at the end of these instructions. This will provide a description of the accounting methods the distributor used to record balances being review that are not in accordance with the February 21, 2019 accounting guidance.

1. Information Sheet:

Complete the Information Sheet:

- a) From the drop-down box, select the utility name.
 - This selection will result in pre-populating RRR consumption data under Note 2 for 2017 and 2018. See step #2 below for details.
- b) Under Note 1, select the appropriate year that the GA balance was last approved for disposition. A Workform will be generated from the year after the GA balance was last disposed, unless there are changes to the last approved interim balance. If there was a change to an approved interim balance, a Workform will be generated for each year after the GA balance was last disposed on a final basis. The Workform for the year where there was a change in the approved interim balance will need to be revised and resubmitted, and a detailed explanation for the reason of the change should also be provided.

2. GA Tab – Note 2: Consumption Data Excluding Loss Factor

The Workform pre-populates RRR consumption data for 2017 and 2018. For years before 2017 and for 2019, the consumption data excluding loss factor must be manually input. The inputted data should agree to the RRR data reported, where applicable (i.e. Total Metered excluding WMP, RPP and non-RPP). The purpose of the Consumption Data table is to validate the accuracy of the kWh quantities used to calculate the expected net transactions in Account 1589 RSVA -GA for the calendar year.

Note: The Workform generates the data for 2017 and 2018, review the pre-populated RRR data and confirm that it is accurate. If not, please explain the discrepancy.

3. GA Tab – Note 3: GA Rate Billed

Under Note 3:

- a) Select the GA rate to bill customers (i.e. 1st Estimate, 2nd Estimate or Actual) in the drop-down box. This selection will result in populating Column K, GA Rate Billed (\$/kWh) in the table under Note 4.
- b) Confirm that the utility uses the same GA rate to bill all customer classes. If not confirmed, please provide further details.

- c) Confirm that the utility uses the same GA rate for recording unbilled revenues entries. If not confirmed, please explain.
 - *Note:* 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)).

4. GA Tab – Note 4: Analysis of Expected GA Amount

- a) Complete columns F, G and H of the Analysis of Expected GA Amount Table based on calendar month consumption. See table below for description of the columns.
 - *Note:* The Workform requires kWh volumes for revenues and expenses on a calendar month basis. It assumes kWh volumes sold adjusted for losses are approximately equal to purchased kWh volumes based on the following formula: Billed kWh **minus** prior month’s unbilled kWh **plus** current month’s unbilled kWh.
- b) Alternatively, if more precise calendar month consumption is available, this can be used instead of using unbilled data as discussed under step #4a above. Input the calendar month consumption data in column F. Unbilled consumption would not be required in columns G and H. However, if columns G and H are not used, an explanation should be provided in the text box under Note 4, part a.
- c) The Workform will calculate the Loss Factor based on the data in Notes 2 and 4. The calculated loss factor should be within +/- 1% of the approved loss factor for that particular year. If it isn’t, an explanation should be provided in the text box under Note 4, part b.

Description of Columns in the Analysis of Expected GA Amount Table:

<i>Column F</i>	The consumption column is for monthly non-RPP Class B kWh consumption billed (including losses). Total annual consumption is expected to differ from the Consumption Data Table (Note 2) by the loss factor. Utilities are expected to ensure that the difference in consumption between that in column F and the Consumption Data Table are reasonable.
<i>Column G</i>	Prior month’s unbilled consumption is to be deducted. Note that not all monthly non-RPP Class B unbilled consumption may be readily available.

	Some estimates or allocations may be required to determine a portion of this data.
<i>Column H</i>	Current month's unbilled consumption is to be added. Note that not all monthly non-RPP Class B unbilled consumption may be readily available. Some estimates or allocations may be required to determine a portion of this data.
<i>Column J</i>	GA rates billed to customers will be auto-populated once the distributor selects the billed rate in Note 3.
<i>Column L</i>	The actual GA rates billed by the IESO will be auto-populated.

5. GA Tab - Note 5: Reconciling Items

The purpose of this section is to reconcile the difference between:

- i. the expected net transactions for the year calculated in the Workform for Account 1589, and
- ii. the net transactions recorded in the distributor's General Ledger.

Reconciling items must be considered for each year requested for disposition.

- a) Input the Net Change in Principal Balance in the General Ledger. This should equal the GA flow-through transactions recorded in Account 1589 for the year.
 - Do not include dispositions in this amount.
 - This amount should agree to the "Transactions" shown in the DVA Continuity Schedule, which should equal to the transactions recorded in the General Ledger (excluding any impact from approved dispositions).
- b) Complete the reconciling items table as applicable. See Appendix B for examples of reconciling items.
- c) For each reconciling item under Note 5, indicate which of the amounts are included as principal adjustments on the DVA Continuity Schedule. Reconciling items may or may not be principal adjustments depending on the nature of the item. See Appendix B for examples.

6. GA Tab – Note 6: Unresolved Difference

Under Note 6, any remaining unreconciled balance that is greater than +/- 1% of the annual GA payments to the IESO must be analyzed and investigated to identify any additional reconciling items, or to identify corrections to the balance requested for disposition.

In its review of Account 1589, the OEB will utilize any meaningful evidence provided by the distributor that substantiates any unreconciled balance that is greater than +/- 1% of the annual GA payments to the IESO when making a decision to approve or deny disposition of this account.

Review Note 6 to ensure that any unresolved difference is within the materiality threshold.

7. Principal Adjustments Tab – Note 7: Breakdown of Principal Adjustment Included in Last Approved Balance

Complete the new tab Principal Adjustments Tab.

Provide a breakdown of the principal adjustment included in the last approved balance for accounts 1588 and 1589.

- Note that if the last approved balance was approved on an interim basis and there are changes to this balance, then a principal adjustment breakdown included in the last approved balance that was disposed on a final basis should be provided instead.
- If the prior period principal adjustment is to be reversed in the current rate application, this will be populated automatically in the table under Note 8.

8. Principal Adjustments Tab – Note 8: Principal Adjustment Reconciliation In Current Application

Complete the reconciliation of principal adjustments in the current rate application for accounts 1588 and 1589.

- This table is required for each year that is requested for disposition in the current rate application.
- Note that if the last approved balance was approved on an interim basis and there are changes to this balance, the reconciliation of principal adjustments must also be completed for this revised balance as well.

Appendix A

GA Methodology Description

If a distributor has yet to fully implement the OEB's February 21, 2019 accounting guidance effective from January 1, 2019, the distributor must complete and submit this Appendix A along with the GA Analysis Workform.

According to the Accounting Procedures Handbook, amounts are not booked directly to accounts 1588 and 1589, instead they are booked to the cost of power Account 4705 - Power Purchased, and Account 4707 Charges – Global Adjustment, respectively. However, accounts 1588 and 1589 are impacted the same way as account 4705 and 4707 are for cost of power transactions. Therefore, the questions in this appendix refer to amounts being booked into accounts 1588 and 1589 for simplicity's sake.

1. Approach to recording CT 1142/142 and CT 148

In booking expense journal entries for Charge Type (CT) 1142/142 and CT 148 from the IESO invoice, please confirm which of the following approaches is used:

 - a. CT 1142/142 is booked into Account 1588. CT 148 is pro-rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589 respectively.
 - b. CT 148 is booked into Account 1589. The portion of CT 1142/142 equaling RPP minus HOEP for RPP consumption is booked into Account 1588. The portion of CT 1142/142 equaling GA RPP is credited into Account 1589.
 - c. If another approach is used, please explain in detail.
 - d. Was the approach described in response to the above question used consistently for all years for which variances are proposed for disposition? If not, please discuss.

2. Questions on CT 1142/142
 - a. Please describe how each component of the initial RPP claim (RPP, HOEP and GA) is determined for settlement forms submitted by day 4 after the month-end (resulting in CT 1142/142 on the IESO invoice).
 - b. Please describe the process for truing up CT 1142/142 to actual RPP kWh, including which data is used for each TOU/Tier 1&2 prices, as well as the timing of the true up.
 - c. Has CT 1142/142 been trued up for with the IESO for all of 2019?

- d. Which months from 2019 were true up in 2020?
 - i. Were these true ups recorded in the 2019 or 2020 balance in the General Ledger?
- e. Have all of the 2019 true-ups been reflected in the applicant's DVA Continuity Schedule in this proceeding?

Note questions c to f should be answered for each year that a GA Analysis Workform is completed.

3. Questions on CT 148

- a. Please describe the process for the initial recording of CT 148 in the accounts 1588 and 1589.
- b. Please describe the process for trueing up the GA cost to ensure that the amounts reflected in Account 1588 are related to RPP GA costs and amounts in Account 1589 are related to only non-RPP GA costs.
- c. What data is used to determine the non-RPP kWh volume that is multiplied with the actual GA per kWh rate (based on CT 148) for recording as the GA expense in Account 1589?
- d. Does the utility true up the initial recording of CT 148 in Accounts 1588 and 1589 based on estimated RPP/non-RPP consumption proportions to actuals based on actual RPP-non-RPP consumption proportions?
- e. Please indicate which months from 2019 were true up in 2020 for CT 148 proportions between RPP and non-RPP
 - i. Were these true ups recorded in the 2019 or 2020 balance in the General Ledger?
 - b. Have all of the 2019 true-ups been reflected in the applicant's DVA Continuity Schedule in this proceeding?

Note questions e to f should be answered for each year that a GA Analysis Workform is completed.

Appendix B

GA Analysis Workform Reconciling Items Example

This Appendix provides examples of the reconciling items. The examples below use:

- 2018 as the current year
- 2017 as the prior year
- 2019 as the subsequent year

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

True-ups of non-RPP consumption impacting Account 1589 are to be included in the year in which it relates for disposition purposes. If the true-up is not recorded in the General Ledger in the year in which it relates, a reconciling item will be needed in the GA Analysis Workform and a principal adjustment will be needed in the DVA Continuity Schedule. Assuming that the distributor receives the IESO invoice and records the invoice in its General Ledger by year-end, the true-up is determined as the difference between:

- i. the actual non-RPP Class B kWh volumes multiplied by the IESO actual invoiced GA price per kWh, and
- ii. the estimated non-RPP Class B kWh volumes multiplied by the IESO actual invoiced GA price per kWh that was initially accrued in the General Ledger

Note: there may be multiple amounts included in this reconciling item depending on how many months of true-ups were not reflected in the General Ledger balance of Account 1589 at the year-end.

1a. True-up of GA Charges based on Actual Non-RPP Volumes – prior year:

Example:

Data used in true-up of Non-RPP Class B volumes for prior year December 2017:

○ Estimated non-RPP Class B volumes	275,000,000 kWh
○ Actual non-RPP Class B volumes	296,759,443 kWh
○ IESO GA Actual Invoiced Price	\$0.1000/kWh

Assuming that the IESO invoice was received and was recorded in the General Ledger by year-end, the estimate of GA costs for non-RPP Class B customers for

December 2017 would have been \$27,500,000. The actual GA cost for non-RPP Class B customers for December 2017 was \$29,675,944. If the true-up was not reflected in the 2017 General Ledger but recorded in the 2018 General Ledger, \$2,175,944 should be added as an true-up reconciling adjustment in the 2017 GA Analysis Workform. In addition, \$2,175,944 should be included as a principal adjustment to the 2017 DVA Continuity Schedule.

In the 2018 GA Analysis Workform, the adjustment for the prior year would have to be reversed and shown as (\$2,175,944). In addition, (\$2,175,944) should be included as a reversal principal adjustment in the 2018 DVA Continuity Schedule.

1b. True-up of GA Charges based on Actual Non-RPP Volumes – current year:

Example:

Data used in the true-up of GA costs for current year December 2018:

○ Estimated non-RPP Class B volumes	263,000,000 kWh
○ Actual non-RPP Class B volumes	277,345,455 kWh
○ IESO GA Actual Invoiced Rate	\$0.1100/kWh

Assuming that the IESO invoice was received and was recorded in the General Ledger by year-end, the estimated GA costs for non-RPP Class B customers for December 2018 would have been \$28,930,000. The actual GA cost for non-RPP Class B customers for December 2018 was \$30,508,000. If the true-up claim was not reflected in the 2018 General Ledger but recorded in the 2019 General Ledger, \$1,578,000 should be added as a true-up reconciling adjustment in the 2018 GA Analysis Workform. In addition, \$1,578,000 should be included as a principal adjustment to the 2018 DVA Continuity Schedule.

In the 2019 GA Analysis Workform, the \$1,578,000 adjustment should be reversed and shown as (\$1,578,000). In addition, (\$1,578,000) should be included as a reversal principal adjustment in the 2019 DVA Continuity Schedule.

2. Unbilled to actual revenue differences:

- Distributors are required to follow monthly accrual accounting for transaction recording and financial statement preparation. Revenue accrual accounting is performed by recording unbilled revenue for the electricity consumed by

customers that they will eventually be billed for to the end of the reporting period. Unbilled revenue must be accrued for all components of a customer's bill that will be invoiced in the future to the end of the reporting period.

- Unbilled revenue must be based on best data available to ensure accurate data on the distributor's balance sheet and income statement. Generally speaking, accurate data includes kWh consumption volumes and kW demand volumes by customer and customer class using the billing rates for all items that will appear on the customer's bill.
- Although unbilled revenue is an estimate, the OEB expects it to be relatively accurate. Differences between unbilled revenue accruals for a given previous fiscal year should not be significantly different from the amounts billed to customers in the subsequent year that relate to the previous fiscal year.
- Distributors are to record the differences between i) unbilled revenue for the GA for all customer classes and ii) the GA revenue billed in the subsequent year for the previous fiscal period in the year in which they relate for commodity account disposition purposes. This is referred to as the unbilled to actual revenue true-up.
- Distributors should have an approach to accurately calculate such differences and record these amounts in the GA Analysis Workform and DVA Continuity Schedule, as needed. Analyses may have to be performed to identify the portion of the billed amounts that corresponded to the amount that was unbilled and recorded in the General Ledger.
- Whether a reconciling item in the GA Analysis Workform and/or principal adjustment in the DVA Continuity Schedule is required will depend on:
 - i. whether unbilled consumption is reflected in the calculated Expected GA Balance (i.e. unbilled consumption is incorporated in columns G and H of the Analysis of the Expected GA Amount table in the GA Analysis Workform) or whether calendar month consumption is used, and
 - ii. whether the unbilled to actual revenue true-up is included in the General Ledger at year-end.

The table below shows the scenarios that determine whether a reconciling item and/or principal adjustment is required:

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	-Reconciling item is required -Principal adjustment is not required	-Reconciling item is not required -Principal adjustment is not required
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

2a. Prior year-end unbilled to actual revenue differences:

Example:

Data used to calculate the difference between unbilled revenue for 2017 and billed revenue in 2018 relating to the 2017 fiscal year (assuming the distributor records unbilled revenue using the GA 1st Estimate Rate):

	November 2017	December 2017
Estimated unbilled non-RPP Class B kWh as at Dec. 31, 2017	5,750,000 kWh	335,000,000 kWh
Billed non-RPP Class B kWh (billed in 2018)	4,225,750 kWh	329,650,550 kWh
IESO GA 1st Estimate Rate	\$0.1230/kWh	\$0.0975/kWh

- The unbilled revenue accrual for non-RPP Class B customers at the end of 2017 was: $\$33,369,750 = [\$32,662,500 = (335,000,000 \times \$0.0975/\text{kWh})] + [\$707,250 = (5,750,000 \times \$0.1230/\text{kWh})]$

- The amount of GA billed in 2018 related to 2017 for non-RPP Class B customers was $\$32,660,696 = [\$32,140,929 = 329,650,550 \times \$0.0975/\text{kWh}] + [\$519,767 = (4,225,750 \times \$0.1230/\text{kWh})]$.
- The difference between unbilled revenue and actual billed revenue is \$709,054.
- 2017 unbilled revenue was overstated in this example.

Assume that the unbilled consumption is incorporated in the calculated Expected GA Amount table of the GA Analysis Workform. Also assume the 2017 General Ledger balance did not include the unbilled to actual revenue true-up, but was included in the 2018 General Ledger through normal billing/unbilled journal entries. In this case, there will be no reconciling item in the 2017 GA Analysis Workform as the “Net Change in Principal Balance in the GL” also reflects unbilled consumption. However, a principal adjustment of \$709,054 is needed in the 2017 DVA Continuity Schedule to true-up the unbilled revenue to actual revenue.

Similarly, assuming the same practices were used in 2018, there will be no reconciling item for the prior year in the 2018 GA Analysis Workform. However, a reversal principal adjustment of (\$709,054) is needed in the 2018 DVA Continuity Schedule.

2b. Current year-end unbilled to actual revenue differences:

Example:

Data used to calculate the difference between in unbilled revenue for 2018 and billed revenue in 2019 relating to 2018 fiscal year (assuming the distributor records unbilled revenue using the GA 1st Estimate Rate):

	November 2018	December 2018
Estimated unbilled non-RPP Class B kWh as at Dec. 31, 2018	7,750,000 kWh	348,000,000 kWh
Billed Class B non-RPP kwh (billed in 2019)	6,500,000 kWh	335,750,750 kWh
IESO GA 1st Estimate Rate	0.1185/kWh	\$0.1075/kWh

- The unbilled revenue accrual for non-RPP Class B customers at the end of 2018 was $\$38,328,375 = [\$37,410,000 = (348,000,000 \times \$0.1075/\text{kWh})] + [\$918,375 = (7,750,000 \times \$0.1185/\text{kWh})]$

- The amount of GA billed in 2019 related to 2018 for non-RPP Class B customers was $\$36,863,527 = [\$36,093,206 = 335,750,750 \times \$0.1075/\text{kWh}] + [\$770,250 = (6,500,000 \times \$0.1185/\text{kWh})]$.
- The difference between unbilled revenue and billed revenue is $\$1,464,919$.
- 2018 unbilled revenue was overstated in this example.

Assume that more precise calendar month consumption data is used in the Expected Amount table of the GA Analysis Workform (i.e. unbilled data is not incorporated in columns G and H). Also, assume the 2018 General Ledger balance included the unbilled to actual revenue true-up. In this case, there will be no reconciling item in the 2018 GA Analysis Workform as the “Net Change in Principal Balance in the GL” also reflects actual consumption. A principal adjustment is not needed in the 2018 DVA Continuity Schedule to true-up the unbilled revenue to actual revenue as it has already been included in the 2018 year-end balance.

Similarly, assuming the same practices were used in 2019, there will be no reconciling item for the prior year in the 2019 GA Analysis Workform. A reversal principal adjustment is also not needed in the 2019 DVA Continuity Schedule.

3. Difference between accrual/forecast and actual relating to load transfers:

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

Note: Per the December 21, 2015 Distribution System Code Amendment, all load transfer arrangements shall be eliminated by transferring the load transfer customers to the physical distributor by June 21, 2017.

- This reconciling item relates to long term and short-term load transfers as applicable. However, the reconciling item is expected to mainly pertain to short-term load transfers as long-term load transfers have been eliminated.
- A distributor could have differences between accrued and actual cost as the geographic distributor or differences between accrued and billed revenue as the physical distributor.

- Whether a reconciling item and principal adjustment is required will depend on
 - i. whether accrued/unbilled consumption is reflected in the calculated Expected GA Balance (i.e. accrued/unbilled consumption is incorporated columns G and H of the Analysis of the Expected GA Amount table in the GA Analysis) or whether actual consumption is used, and
 - ii. whether the accrued/unbilled to actual revenue true-up is included in the General Ledger at year-end.

The table below shows the scenarios that determine whether a reconciling item or principal adjustment is required:

Reconciling item and Principal Adjustments

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

3a. Difference between prior year accrual/forecast and actual relating to load transfers:

Example:

The example is based on differences between accrued and billed revenue as a physical distributor.

Information related to load transfer revenue differences for December 2017:

Actual geographic distributor's volumes used to calculate the difference between load transfer revenue for 2017 and billed revenue in 2018, relating to 2017 fiscal year:

○ 2017 accrued quantities	2,500,000 kWhs
○ 2018 billed quantities for 2017	3,600,000 kWhs
○ IESO GA weighted average 2017 Actual rate	\$0.1250/kWh

The accrued revenue amount related to geographic distributors was \$312,500 and the amount of GA billed to geographic distributors in 2018 related to 2017 was \$450,000. 2017 accrued revenue was \$137,500 lower than billed revenue in 2018 relating to 2017 fiscal year.

Assume that actual consumption data is used in the Analysis of the Expected Amount table in the GA Analysis Workform. Also assume the 2017 General Ledger balance did not include the accrued to actual revenue true-up. In this case, there will be a reconciling item of (\$137,500) in the 2017 GA Analysis Workform as the "Net Change in Principal Balance in the GL" reflects accrued consumption while actual consumption is used to calculate the Expected GA Balance. A principal adjustment for (\$137,500) is also needed in the 2017 DVA Continuity Schedule to true-up the accrued revenue to actual revenue.

Similarly, assuming the same practices were used in 2018, there will be a \$137,500 reconciling item in the 2018 GA Analysis Workform for the prior year. A \$137,500 reversal principal adjustment is also needed in the 2018 DVA Continuity Schedule.

3b. Difference between current year accrual/forecast to actual from long term load transfers:

Example:

The example is based on differences between accrued and billed revenue as a physical distributor.

Information related to load transfer revenue differences for December 2018:

Geographic distributor's volumes used to calculate the difference between load transfer revenue for 2018 and billed revenue in 2019 relating to 2018 fiscal year:

- | | |
|---|----------------|
| ○ 2018 accrued quantities | 3,300,000 kWhs |
| ○ 2019 billed quantities for 2018 | 2,100,000 kWhs |
| ○ IESO GA weighted average 2018 Actual rate | \$0.1165/kWh |

The accrued revenue amount related to geographic distributors was \$384,450 and the amount of GA billed to geographic distributors in 2019, related to 2018 was \$244,650. 2018 accrued revenue was \$139,800 higher than billed revenue in 2019, relating to 2018 fiscal year.

Assume that actual consumption data is used in the Analysis of the Expected Amount table in the GA Analysis Workform and the 2018 General Ledger balance included the accrued to actual revenue true-up. In this case, there will be no reconciling item in the 2018 GA Analysis Workform as the "Net Change in Principal Balance in the GL" also reflects actual consumption. A principal adjustment is not needed in the 2018 DVA Continuity Schedule as the accrued to actual revenue true-up has already been included in the 2018 year-end balance.

Similarly, assuming the same practices were used in 2019, there will be no reconciling item for the prior year in the 2019 GA Analysis Workform. A reversal principal adjustment is also not needed in the 2019 DVA Continuity Schedule.

4. Remove GA balances pertaining to Class A customers:

This reconciling item is only expected to potentially apply to Account 1589 balances prior to 2019. The February 21, 2019 accounting guidance does not contemplate any GA balance pertaining to Class A to be recorded in Account 1589.

- Global Adjustment is billed to Class A customers based on their customer-specific peak demand factor (PDF).
- Class A customers are billed at actual GA costs. Monthly unbilled revenue relating to these customers should be accrued based on the estimated amount accrued for Charge Type 147 as part of a distributor's cost of power accrual for GA. Therefore, there should be no variances related to Class A customers in Account 1589.

- For those distributors that do not follow this accounting month-end practice, they may have balances relating to GA attributable to Class A customers included as part of the balance of Account 1589 prior to 2019.
- Any amounts recorded in Account 1589 relating to Class A customers must be eliminated, as the balance of Account 1589 should only relate to non-RPP Class B customers. Transactions pertaining to Class A customers are recorded in Account 1589 and should net to zero. However, there may have been balances pertaining to Class A customers included in the account at the end of the year due to timing issues. For example, a balance pertaining to Class A customers may exist if revenues are not accrued on the same basis as expenses.
- A distributor would need to do an analysis of all GA Class A transactions that would have been included in the balance of Account 1589. A distributor would need to compute the adjustment amounts relating to Class A GA by taking the sum of the following:
 - GA billed to Class A customers,
 - GA unbilled revenue accruals recorded relating to Class A customers
 - GA unbilled revenue reversals recorded relating to Class A customers
 - GA charged by the IESO for Charge Type 147
 - GA accrued as part of the cost of power accrual for Charge Type 147

Example:

A distributor summed up all transactions relating to Class A customers and erroneously had a credit balance of \$1,750,000 in 2018. This amount should be eliminated from the 2018 GA Analysis Workform by recording a debit adjustment of \$1,750,000. This adjustment is a permanent adjustment and is not reversed.

A debit \$1,750,000 principal adjustment is also made to the DVA Continuity Schedule to ensure that the amount is excluded from the Account 1589 balance requested for disposition.

5. Significant prior period billing adjustments recorded in current year:

- Cancel and rebills for billing adjustments may be recorded in the current year revenue General Ledger balance but would not be included in the current year consumption charged by the IESO.

- It is a normal part of business for distributors to make billing corrections, bill cancellations, and re-billings. Billing adjustments can be small or quite large, depending on the nature and cause of the billing adjustment.
- Where billing adjustments relate to prior calendar years pertaining to non-RPP Class B customers, there would be an impact to Account 1589.

Example:

- A distributor made significant billing adjustments in the 2018 of \$350,000 related to GA revenue for the prior two years.
- The revenue would have been recorded in the 2018 General Ledger and 2018 billing statistics.
- The GA costs relating to such revenue would have been paid to the IESO at actual rates in prior periods, (i.e.: would not have been recorded as a cost in the 2018).
- In this example, there is a mismatch of GA revenue and costs, requiring a reconciling item of \$350,000 in the 2018 GA Analysis Workform to explain the difference between the GA balance in the Workform and the General Ledger.
- This is a one-time adjustment on the GA Analysis Workform, and a reversal would not be required in future periods.
- This is **not** a Principal Adjustment item for the DVA Continuity Schedule as the billing adjustment occurred in 2018 and was recorded in 2018.

6. Differences in GA charged by the IESO relating to prior period(s) or other adjustments:

This reconciling item is only expected to potentially apply to Account 1589 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.

- Differences between the following would need to be quantified:
 - i. the GA amount calculated based on the IESO actual posted GA rate X total GA wholesale billing quantities, and
 - ii. the GA amount that was actually charged by the IESO on the distributor's wholesale power bill Charge Type 148, for non-RPP Class B volumes.

- On occasion, the IESO makes Global Adjustment corrections as the result of distributor corrections to prior fiscal years or adjustments initiated by the IESO for various reasons.
- For example, there may be instances where the IESO bills distributors more/less than GA costs based on actual GA Rate. Distributors should be aware of such differences, which should be identified through a distributor's wholesale settlement processes and systems.
- Any amounts charged by the IESO for GA other than the distributor's wholesale volumes would need to be identified and recorded as a reconciling item in the GA Analysis Workform.
- Note that effective February 28, 2019, the IESO established Charge Type 2148 Global Adjustment Prior Period Correction Settlement Amount 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. This charge type would be a reconciling item on the GA Analysis Workform as it would not be reflected in the actual GA rate that is populated in the Analysis of Expected GA Amount table to calculate the Expected GA Balance. However, this will not be a principal adjustment as it would have been recorded in the General Ledger.

Example:

- The IESO made adjustments on a distributor's monthly invoices during the 2018 totaling \$425,000 and these adjustments would result in an effective GA rate which is different than the actual posted rate. A distributor would need to record a reconciling item in the GA Analysis Workform for this situation.
- The GA costs may have been recorded in the current period General Ledger, however, the additional charge or credit amounts may not have been reflected in the calculation of the expected GA amount in the Workform. In this example, there is a mismatch of GA revenue and costs, requiring a reconciling item in the GA Analysis Workform to explain the difference between the GA balance in the General Ledger and the GA Analysis Workform.
- In this case, a credit \$425,000 reconciling item would be needed in the 2018 GA Analysis Workform.

- This is a one-time adjustment on the GA Analysis Workform, and a reversal would not be required in future periods.
- This is **not** a Principal Adjustment item in the DVA Continuity Schedule.

7. Differences between actual system losses and Approved Total Loss Factors (TLF) billed to customers in the calendar year:

Differences between actual system losses and TLFs billed to customers are not usually significant. However, there may be circumstances that would cause more significant differences. Where significant differences are identified, a reconciling item is required in the GA Analysis Workform and a distributor would be required to explain the operational reasons for the large differences.

Example:

A distributor calculates the actual system losses to be significantly greater than billed TLF to non-RPP Class B customers, the following data is applicable:

- Total metered volumes billed and unbilled to non-RPP Class B customers was 290,000,000 kWhs
- Actual system losses relating to non-RPP customers Class B was 5.50%
- Billed TLF relating to non-RPP Class B customers was 4.50%
- The weighted average actual GA rate for the year was \$0.1035/kWh

In this case, the difference between the billed TLF and the actual system losses relating to non-RPP Class B customers is \$300,150.

As the General Ledger in Account 1589 would reflect the actual costs related to the actual system losses, the expected GA costs calculated in the GA Analysis Workform would be lower and a reconciling item of credit \$300,150 would need to be recorded to in the GA Analysis Workform to explain the difference between the GA balance in the GA Analysis Workform and the General Ledger. This is a one-time adjustment on the GA Workform, and a reversal would not be required in future periods. This is **not** a Principal Adjustment item in the DVA Continuity Schedule.