



A. Purpose

To provide implementation guidance for those electricity distributors who, due to the COVID-19 emergency, elected to defer implementation of their May 1, 2020 effective rates to November 1, 2020, and who will choose to implement their 2020 rates on November 1, 2020. This document also provides a mechanism with regards to calculating and recovering associated forgone revenues for those distributors that choose to seek recovery.

A postponing distributor that chooses either to i) not seek recovery of forgone revenues or ii) not to implement its May 1, 2020 rates in accordance with the implementation date in its decision and order/vary order for May 1, 2020 rates should advise the Ontario Energy Board's (OEB) Board Secretary's Office as soon as possible or by September 15, 2020 at the latest.

B. Background

Effective March 24, 2020, the OEB established the account [Impacts Arising from the COVID-19 Emergency](#), together with three sub-accounts, for electricity distributors (Account 1509) and natural gas distributors (Account 179), to use in tracking any incremental costs and lost revenues related to the COVID-19 pandemic. The OEB confirmed the applicability of the account to electricity transmitters and Ontario Power Generation in the April 29, 2020 [accounting order](#).

On April 16, 2020, the OEB issued decisions and rate orders relating to the Incentive Rate-Setting Mechanism (IRM) applications filed by 31 electricity distributors for new rates effective May 1, 2020 and a [letter](#) explaining its approach with regard to those decisions. The OEB provided electricity distributors the option to postpone implementation of May 1, 2020 rates for a six-month period. Two electricity distributors that were issued decisions for May 1, 2020 rates prior to April 2020, also received vary orders allowing for the same approach. In total, 24 electricity distributors – since referred to as the “postponing distributors” – have chosen to postpone implementation of their rates (in at least one rate zone).

On April 17, 2020, the OEB provided [initial guidance](#) to postponing distributors. The OEB noted that distribution revenue associated with the postponement of the implementation of the May 1, 2020 effective rates should be tracked separately within



Account 1509, Sub-account Lost Revenues by customer rate class. The OEB stated that tracked forgone revenue may include the following components:

1. impacts arising from the postponement of changes to monthly fixed service charges and variable distribution charges
2. forgone distribution revenue due to the postponement of approved Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) amounts
3. forgone distribution revenue due to the postponement of the implementation of an approved Incremental Capital Module
4. impacts arising from the postponement of the change in the microFit monthly fixed service charge

The OEB is now providing the COVID-19 Forgone Revenue Rate Rider Model (Forgone Revenue Model) for the purposes of calculating the class-specific forgone revenue rate rider (Rate Rider for Recovery of COVID-19 Forgone Revenue from Postponing Rate Implementation). The instructions for completing the Forgone Revenue Model are provided below in Appendix B.

As indicated in the accounting order accompanying this guidance, the OEB is updating the April 17, 2020 initial guidance regarding forgone revenues due to the postponement of rate implementation. These amounts should now be recorded in the new sub-account, Impacts Arising from the COVID-19 Emergency Account, Sub-account Forgone Revenues from Postponing Rate Implementation (Forgone Revenues Sub-account) that was established in the accompanying accounting order. The effective date of the new sub-account is the approved effective date of the new rates that are postponed for implementation due to the COVID-19 emergency. For most postponing distributors, this will be May 1, 2020. The accounting order indicates that the new sub-account is to be used to record forgone revenues due to the postponement of rate implementation as a result of the COVID-19 emergency. Any forgone revenues, due to postponing rate implementation that were already recorded in the Lost Revenues sub-account, should be transferred to the Forgone Revenues Sub-account. Amounts recorded in the Forgone Revenues Sub-account must be calculated consistent with the methodology described below in Section 3 of Part E.

As indicated in the accounting order, the postponement of rate implementation for May 1, 2020 rates was optional for electricity distributors. In this regard, if a postponing distributor chooses to not seek recovery of the forgone revenues, the distributor should inform the OEB's Board Secretary's Office as soon as possible, and by no later than

September 15, 2020. The Forgone Revenue Model will still need to be filed so that the appropriate Tariff of Rates and Charges can be confirmed and accurate bill impacts are generated. Any associated amounts recorded in the Forgone Revenues Sub-account should be written off.¹ In such instance, if the distributor is planning to file an IRM application for 2021 rates, the annual rate adjustment for 2021 rates will continue to be applied on the approved 2020 rates as part of the 2021 IRM process.

If a postponing distributor seeks alternative treatment – whether in regard to its recovery of foregone revenues or in regard to its implementation of May 1, 2020 rates – the distributor may do so by filing a request with the OEB’s Board Secretary’s Office as soon as possible, or by September 15, 2020 at the latest. Determinations on alternative treatments will be made on a case by case basis.

C. Applicability of Model and Guidance

The methodology in calculating forgone revenues as provided for in the Forgone Revenue Model and the associated guidance has been developed specifically for the group of distributors who are postponing implementation of their May 1, 2020 effective rates to November 1, 2020. However, it is expected that the methodology in the model and guidance also will be followed, as applicable, by other electricity distributors that have postponed or are approved to postpone rate implementation as a result of the COVID-19 emergency and have recorded amounts in the Forgone Revenues Sub-account.

D. Administrative Process

Each postponing distributor that chooses to seek recovery of its forgone revenue, should file the Forgone Revenue Model by September 15, 2020 under its 2020 rate proceeding docket number. During OEB staff’s review of the model, the postponing distributor may be asked to provide additional information to support the forgone revenue calculations in the model. After the review has been completed, a final rate order reflecting new rates and the forgone revenue rate riders will be issued.

¹ As amounts will be transferred from the Lost Revenues sub-account to the Forgone Revenues from Postponing Rate Implementation sub-account, there should be nothing to write-off in relation to the Lost Revenues sub-account associated with forgone revenue.



For postponing distributors that propose not to use the Forgone Revenue Model, a separate request for the forgone revenue rate riders will need to be filed with the appropriate documentation, supporting the forgone revenue amount requested for recovery and the rationale for the alternative methodology proposed. It should be noted that, in such instances, there may be longer processing timelines.

As noted previously, postponing distributors that choose not to seek recovery of forgone revenue but wish to implement their 2020 rates on November 1, 2020, should file the Forgone Revenue Model.

E. Guidance

1. LRAMVA

In the April 17, 2020 initial guidance, it was indicated that the postponement of approved LRAMVA amounts could be recorded in Account 1509. Upon further consideration, it has been determined that approved LRAMVA rate riders do not need to be recorded in Account 1509. Instead, LRAMVA should be treated in the same manner as Group 1 Deferral and Variance Account rate riders. The approved LRAMVA rate riders may be implemented on November 1, 2020, based on the disposition period as approved in the postponing distributor's 2020 IRM decision. The approved LRAMVA balance should be transferred to Account 1595 (2020)² so that the 1595 sub-account can be drawn down commencing upon rate rider implementation, as per the normal course. Carrying charges³ should be calculated in accordance with normal practice assuming the approved LRAMVA balance was transferred to Account 1595 (2020) on May 1, 2020. Any unrecovered or unreturned balance should remain in Account 1595 for disposition in a future proceeding.

2. COVID-19 Forgone Revenue Rate Rider Model

The COVID-19 Forgone Revenue Model calculates the forecast amounts of forgone distribution revenues, forgone microFIT revenues and forgone ICM amounts and then

² Sub-account Principal Balances Approved in 2020, and Sub-account Carrying Charges Approved in 2020

³ Sub-account Carrying Charges for Net Principal in 2020



uses these amounts as the numerator to calculate the forgone revenue rate riders or one-time lump sum credit billing adjustments to microFIT customers, as applicable. The specific steps for completing the COVID-19 Forgone Revenue Model can be found in Appendix B.

3. Accounting and Recovery Guidance

The following accounting guidance is specific to postponing distributors that have forgone distribution revenues, forgone microFit revenues, and/or forgone ICM amounts. However, the guidance may be adjusted as applicable for use by other utilities with forgone revenues due to postponement of rate implementation as a result of COVID-19.

Example journal entries to record the forgone revenues/amounts are provided in Appendix A. In general, actual forgone revenues/amounts are to be recorded in the Forgone Revenues Sub-account on a monthly basis as billing data becomes available. Forgone revenues/amounts are expected to reflect actual billed and unbilled transactions. The transactions are to be supported by amounts on a rate class basis so that any unrecovered residual balance amounts can be subsequently trued up with the appropriate customer class. Carrying charges may also be recorded in the sub-account at the option of postponing distributors.

Upon implementation of the forgone revenue rate rider that is calculated from the Forgone Revenue Model, the rate rider transactions will be recorded in the same Forgone Revenues Sub-account. This will draw down the accumulated balance of actual forgone revenues/amounts as described in the paragraph above. Any residual balance after the expiry of the rate riders should be requested for final disposition in a future rate application (cost of service or IRM), once the balance has been audited in accordance with normal deferral and variance account disposition practices. If disposition is approved, the residual balance in the Forgone Revenues Sub-account should be disposed proportionately by customer class and the residual balance will be transferred to Account 1595.

The Forgone Revenue Model does not take carrying charges into account when calculating forgone revenue rate riders so as not to complicate the model for an immaterial carrying charge amount. The accounting order for the Forgone Revenues Sub-account indicates carrying charges for the sub-account are optional. If a distributor records carrying charges in the Forgone Revenues Sub-account, those amounts will accumulate as a portion of the debit balance in the Forgone Revenues Sub-account,



even though the rate rider does not have a carrying charges component to it. Therefore, cumulative carrying charges, if applied, may be requested for disposition at the time the residual balance in the Forgone Revenues Sub-account is requested for disposition.

The corresponding carrying charges related to forgone ICM amounts would be optional as well. Specifically, if carrying charges are not applied to the Forgone Revenues Sub-account, carrying charges should also not be recorded in Account 1508 – Other Regulatory Assets, Sub-account Incremental Capital Expenditures Rate Rider Revenues, Carrying Charges. Otherwise, carrying charges should be recorded in both the Forgone Revenues Sub-account and in the 1508 sub-account in accordance with the accounting guidance provided in the [March 2015 Accounting Procedures Handbook Guidance](#).

In summary, for postponing distributors, the accounting method provided in Appendix A ensures that the total amount collected from the forgone revenue rate rider will be equal to the sum of (i) the amount collected had implementation of May 1, 2020 effective rates not been postponed and (ii) associated carrying charges, if applied. It also generally ensures that the net journal entries recorded will result in the same revenue and ICM account balances in the case where rate implementation had not been postponed.



Appendix A – Journal Entry Example

The journal entry example applies to forgone distribution revenues, forgone microFIT revenues and forgone ICM amounts. The main journal entry difference between the three types of forgone amounts is the account used in journal entry #1 below to record the offsetting entry to Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation. Specifically, the accounts used as an offset to the 1509 sub-account are as follows:

- Account 4080 – Distribution Revenue for forgone distribution revenues
- Account 4235 – Miscellaneous Service Revenues for forgone MicroFIT Revenues
- Account 1508 – Other Regulatory Assets, Sub-account Incremental Capital Expenditures Rate Rider Revenues for forgone ICM Amounts

Note that there will be no residual balance pertaining to microFIT forgone revenues in the 1509 sub-account after the expiry of the microFit forgone revenue billing adjustment as the forgone revenue amount is expected to be fully returned to microFIT customers through a lump sum one-time bill adjustment.

Journal Entry Example

Assumptions:

- Forgone Revenue Rate Rider is implemented November 1, 2020 with a six month disposition period ending April 30, 2021.
- Assume that carrying charges are applied.
- The audited December 31, 2021 residual balance in Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation is a debit balance.
- The 2021 residual balance is requested for disposition in the 2023 rate application and is approved for disposition.

Note: The dates of the journal entries used in the example below may need to be adjusted to the circumstances of the particular distributor.

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<u>JE</u>	<u>Date</u>	<u>Journal Entry</u>
1.	Monthly May to Oct. 2020	<p><u>Forgone Revenues/Amounts</u> Dr. Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation Cr. Account 4080 – Distribution Revenues OR Cr. Account 4235 – Miscellaneous Service Revenues (for microFIT)* OR Cr. Account 1508, Sub-account ICE Rate Rider Revenues (for ICM)</p> <p>To record actual monthly forgone revenues/amounts as actual billing/unbilled statistics are available *Note the entry for forgone microFIT is expected to be a credit to Account 1509 as the microFIT charge decreased.</p>
2.	Monthly May to Oct. 2020	<p><u>Carrying Charges</u> Dr. Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation, Carrying Charges Cr. Account 4405 – Interest and Dividend Income</p> <p>To record interest income for forgone revenues/amounts</p>
3.	Monthly Nov. 2020 until end Apr. 2021	<p><u>Collection of Forgone Revenues/Amount Rate Rider</u> Dr. Account 1100 – Accounts Receivable Cr. Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation</p> <p>To record rate riders collected for forgone revenues/amounts</p>
4.	Monthly Nov. 2020 to Apr. 2023	<p><u>Carrying Charges</u> Dr. Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation, Carrying Charges Cr. Account 4405 – Interest and Dividend Income</p> <p>To record interest income for forgone revenues/amounts</p>
5.	May 1, 2023	<p><u>Approved Disposition of Account 1509 Residual Balance</u> Dr. Account 1595, Sub-account Principal Balances Approved in 2023 Dr. Account 1595, Sub-account Carrying Charges Approved in 2023 Cr. Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation Cr. Account 1509, Sub-account Forgone Revenues from Postponing Rate Implementation, Carrying Charges</p> <p>To record the approved disposition of the residual Account 1509 balance into Account 1595</p>

Appendix B – Steps for Completing the Model

The steps to complete the COVID-19 Forgone Revenue Rate Rider Model with a description of each of the tabs are as follows:

1. Information Sheet

In the first input table, the electricity distributor needs to select the effective date of its original proposed 2020 tariff, the postponed implementation date and the proposed recovery period for the forgone revenue rate rider.

In the second input table, the electricity distributor needs to indicate the rates and rate rider that were postponed for implementation. The model will calculate the forgone revenue amounts for the elements selected.

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	April 30, 2021	

Please select the rates and rate riders that were postponed for implementation:

Distribution Base Rates	Yes
ICM Rate Rider	Yes
microFIT Service Charge	Yes

2. Current Tariff Schedule

This tab populates the electricity distributor’s current tariff of rates and charges (the tariff as of the day before the postponed implementation date).

3. Billing Determinants

This tab is for the electricity distributor to enter the billing determinants (number of customers/connections, consumption and demand) by class for the calculation of forgone revenue rate riders. Distributors needs to select either “Actual” or “Forecast” (in the first input row of the tables) for the monthly billing determinants for each month within the “forgone period”.

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Number of Customers/Connections		Forgone Period						Recovery Period	
Rate Class		May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Monthly Average for May 2020 to Oct 2020	Monthly Average for Nov 2020 to Apr 2021
	Unit	Actual	Actual	Actual	Forecast	Forecast	Forecast		Forecast
RESIDENTIAL SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100
SENTINEL LIGHTING SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100
STREET LIGHTING SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100
microFIT SERVICE CLASSIFICATION		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,100

Consumption and Demand		Forgone Period						Recovery Period			
Rate Class	Unit	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	Actual	Forecast	Forecast			Forecast	Forecast
RESIDENTIAL SERVICE CLASSIFICATION	kWh	3,827,737	21,587,272	21,587,272	21,587,272	21,587,272	21,587,273	133,351,368	-	129,523,853	-
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	kWh	500,000	8,532,076	8,532,076	8,532,076	8,532,076	8,532,077	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
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	kW	60,000	60,000	60,000	60,000	60,000	60,000	-	420,000	-	420,000
SENTINEL LIGHTING SERVICE CLASSIFICATION	kWh	70,000	70,000	70,000	70,000	70,000	70,000	490,000	-	490,000	-
STREET LIGHTING SERVICE CLASSIFICATION	kW	70,000	171,528	171,528	171,528	171,528	171,529	-	1,099,171	-	1,099,171
microFIT SERVICE CLASSIFICATION	kWh	2,000	2,000	2,000	2,000	2,000	2,000	14,000	-	14,000	-

4. Forgone Revenue Rate Rider

This tab automatically calculates the forgone revenue amounts related to base distribution rates and ICM rate riders (if applicable), as well as the forgone revenue rate rider for each class.

5. microFIT

This tab calculates the one-time payment to customers for the postponement of the change in the microFIT monthly fixed service charge. The default approach in the model for this microFIT amount is based on a lump sum payment to customers through a one-time billing adjustment as the amount is not likely to be material. Distributors wishing to implement the credit using an alternative approach may suggest such an approach with their filing. Based on the customer number entered in the input table, this tab also calculates the total microFIT amount that is to be refunded to all applicable microFIT customers.

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Rate Effective Date	May 1, 2020
Postponed Implementation Date	November 1, 2020
Forgone Period (number of months)	6
Payment Method	one-time payment
Number of Affected microFIT Customers	100

MicroFIT Payment to Customer				
New microFIT Service Charge	Existing microFIT Service Charge	Difference	Payment to Customer	Total microFIT amount to be refunded to customers
\$4.55	\$5.40	(\$0.85)	(\$5.10)	(\$510.00)

6. Regulatory Charges & TOU

Similar to Tab 17 in the IRM Rate Generator Model, this tab contains the generic regulatory charges, Time-of-Use prices and Smart Meter Entity Charge.

7. Originally Approved Tariff

This tab populates the electricity distributor's proposed 2020 tariff as originally approved in the Decision and Rate Order issued in April 2020 (for 2020 IRM applicants).

8. Final Tariff Schedule

This tab populates the new 2020 proposed tariff with the forgone revenue rate riders added.

9. Bill Impacts

Similar to Tab 20 in the IRM Rate Generator Model, this tab calculates and summarizes the bill impact results for each rate class. Electricity distributors should follow the same instruction as Tab 20 in the IRM Rate Generator Model. The bill impact table compares the current bill as of the day before the postponed implementation date (based on rates and charges included in Tab 2 Current Tariff Schedule) to the new proposed bill as of the postponed implementation date (based on rates and charges included in Tab 8 Final Tariff Schedule).