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Ontario Energy Board

Filing Requirements for Electricity Distribution Cost of Service
Rate Applications - 20265 Edition for 20276 Rate Applications

Chapter 2

Cost of Service

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Chapter 2 - Filing requirements for electricity distribution cost of service rate applications ~~based on a forward test year~~

2.0 General Requirements

The purpose of this document is to set out the filing requirements for a cost of service application by electricity distributors. The filing requirements have been established to provide sufficient information to inform the Ontario Energy Board (OEB) and interested parties of all material facts related to the distribution of electricity by an electricity distributor to set rates. These requirements apply to all distributors, however certain requirements may differ depending on the size of the distributor. Differentiated requirements for distributors with fewer than 30,000 customers are noted in the applicable sections.

The OEB expects the information required by these filing requirements to be in an application for it to be considered complete. If a distributor believes that any of the requirements do not apply to their application, they should clearly set out the reason(s) why.

As the onus is on distributors to present their own case, a distributor's application should provide all the information necessary to support its request for just and reasonable rates. While all components of the application must be justified, the expectation regarding the level of information filed in support should reflect the scale of the request in terms of its materiality, complexity, variance from previous applications or plans, deviation from OEB policy, and the impact on revenue requirement and customers' bills.

Distributors are encouraged to structure the evidence in the format presented in ~~S~~section 2.0.7. All distributors should endeavor to present a clear, concise application with minimal repetition.

2.0.1 Relevant Chapters

The [Handbook for Utility Rate Applications](#) (the Handbook) outlines the key principles and expectations of the OEB. The filing requirements contained in this Chapter, [Chapter 1](#), and Chapter 5 outline all of the relevant information that needs to be provided for a cost of service application to be complete.

The OEB currently uses three incentive rate-setting (IR) methods: (1) Price Cap IR, (2) Custom IR and (3) Annual IR Index. The Price Cap IR option consists of a cost of

service (or rebasing)¹ year followed by four years of incentive rate-setting mechanism (IRM) adjustments. In the Custom IR method, rates are set based on a five-year forecast of an electricity distributor's revenue requirement and sales volumes. The Annual IR Index method adjusts rates by a simple price cap index formula (i.e., I-X), where the X-factor will be the same as the highest X-factor. All distributors on the Annual IR Index will be subject to the same X-factor.

While there are no specific filing requirements for Custom IR applications, distributors should be guided by these filing requirements when preparing Custom IR applications. If filing a Custom IR application which is underpinned by one or more cost of service test years, the distributor should file all necessary documentation for a cost of service application, including the Chapter 2 ~~A~~appendices and the models discussed in section 2.0.2.

Filing requirements for IRM applications (i.e., the Price Cap IR and Annual IR Index options) are provided in Chapter 3. Distributors should also review Chapter 1 of the filing requirements, which provides an overview of the OEB's expectations on certain generic matters, such as the completeness and accuracy of an application, the exploration of non-material items, and confidential filings.

~~Chapter 1 also contains the requirement that distributors must include the following certifications by a senior officer of the distributor:~~

- ~~• The evidence filed, including the models and appendices, are accurate, consistent and complete to the best of their knowledge~~
- ~~• The distributor has processes and internal controls in place for the preparation, review, verification and oversight of account balances being disposed~~
- ~~• A letter from the governing body (e.g., Board of Directors) certifying that it is aware of and approves the submission of the application.~~
- ~~— The application and any evidence filed in support of the application should not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules of Practice and Procedure (and the Practice Direction on Confidential Filings, as applicable).~~

¹ The OEB considers cost of service and rebasing to be the same and therefore these terms are used interchangeably for the purposes of this chapter.

The OEB posts an updated checklist on its electricity distribution rates web page annually based on these filing requirements. Distributors should file the checklist with their applications. Any deviations from the filing requirements need to be identified and explained.

2.0.2 Appendices and Models

The various appendices and models referenced in this chapter are linked to each of the sections in Chapter 2 and provide schedules to be completed by the distributor to facilitate the filing of all required information (e.g., Appendix 2-K – Employee Costs provides tables related to section 2.4.3.1 – Workforce Planning and Employee Compensation). These appendices and models are available in Excel format on the OEB's [Electricity Distribution Rate applications webpage \(EDR webpage\)](#) website and must be completed by applicants and filed as part of a cost of service application in live Excel format. When filing the models, distributors are reminded that if a tab is updated, the date in that specific tab should be updated as well. Distributors must also provide PDF and Excel copies of their current Tariff of Rates and Charges.

~~At the draft rate order stage of a proceeding, or as part of a settlement proposal, if applicable, distributors are required to provide an updated Revenue Requirement Work-Form (RRWF). Distributors may also be required to update certain tabs in the Chapter 2 Appendices, if changes to the settlement proposal are made during the proceeding. The required tabs are indicated in the Appendices at the “Index” tab and distributors must file the RRWF in its entirety at the draft rate order stage of the proceeding.~~

Distributors may be required to provide updated models at various stages of the proceeding (for example, in response to interrogatories, as part of a settlement proposal, or in support of a draft rate order) when updated evidence is available and/or required.

The models issued by the OEB are to assist the distributor in filing a rate application and to provide consistent content and format by all distributors. The model passwords will be provided ~~to the distributor if the distributor prefers upon request~~this option. If a distributor does update or amend an OEB model to accommodate their circumstance, the distributor must refer in the corresponding Exhibit as to what has been updated/amended to assist with the review of the application.

Consistent with the requirement to establish that the rates applied for are just and reasonable, Aa distributor is responsible for the completeness and accuracy of its application. This includes the accuracy and appropriateness of all inputs and outputs from the models used to support the application, and any other evidence the distributor includes in its application. The distributor is also responsible for advising the OEB of any

concerns it may have regarding calculations flowing from the models, as well as any changes that the distributor may have made to the models to address its own circumstances. Given the variety of different circumstances to be considered, the use of an OEB-issued model does not necessarily mean that the OEB will approve the results.

2.0.3 Separation of Distribution Function

Distributors are rate-regulated by the OEB on a stand-alone basis. This means the application must show the regulated entity separately from its parent company or any other affiliates, ~~both regulated and not~~regardless of whether those affiliates are regulated by the OEB. It is also important that only the amounts attributable to the distributor's regulated activities be reflected when determining matters such as the amount of tax recovery, debt costs, and the cost of affiliate relationship transactions to be recoverable in rates paid by electricity ratepayers.

2.0.4 Cost of Service Application in Advance of Scheduled Application

A distributor ~~planning to that~~ files a cost of service application earlier than scheduled must justify, in its ~~cost of service~~ application, why an early rebasing is required. This requirement only applies if the "off ramp"² conditions have not been met. In particular, the distributor must demonstrate why and how it cannot adequately manage its resources and financial needs during the remainder of its IRM plan period.

~~Distributors are also advised that t~~he OEB may disallow recovery of some or all of the regulatory costs associated with the preparation and hearing of that application if it determines that the early rebasing request is was not justified. This includes the OEB's and intervenor costs. In other words, the OEB may order that some or all of those costs be borne by the shareholder~~(s)~~.

2.0.5 Seeking Approval to Align Rate Year with Fiscal Year

Distributors may seek approval to align their rate year with their fiscal year (i.e., January 1). If a January 1 effective date for new rates is being requested, the OEB expects such applications to be filed no later than the end of April of the year prior to the test year to allow sufficient time for the review and processing of the application.

2.0.6 Late Filing of Cost of Service Application

The OEB establishes deadlines for the filing of cost of service applications each year. Distributors who file applications by the required date ~~set out by the OEB~~ can generally

² An off-ramp is described in section 3.2.10 of Chapter 3 of the Filing Requirements for Electricity Distributors

expect to receive the requested effective date, unless delays occur due to the actions of the distributor. The effective date ~~of for~~ rates approved ~~for in~~ proceedings in which the distributor caused delays, or for applications that were filed after the required date, may be later than the effective date proposed.

Late applications filed after the commencement of the rate year for which the application is intended will not be accepted by the OEB. As an example, for an application to set rates on a cost of service basis commencing May 1, 20276, an application filed after April 30, 20276 (the last business day before the commencement of the rate year) should be converted to a 20287 rate application. This means that the 20276 test year would become the bridge year and the distributor should provide a 20287 budget to underpin the updated test year. In this instance, the OEB expects that a distributor would not seek any further rate adjustment for the 20276 rate year but would remain with the rates set for 20265.

2.0.7 Structure of Application

An application for a ~~forward test year~~ cost of service filing must include the following nine exhibits:

Exhibit 1	Application Overview and Administrative Documents
Exhibit 2	Rate Base and Capital (includes the Distribution System Plan)
Exhibit 3	Customer and Load Forecast
Exhibit 4	Operating Expenses
Exhibit 5	Cost of Capital and Capital Structure
Exhibit 6	Revenue Requirement and Revenue Deficiency/Sufficiency
Exhibit 7	Cost Allocation
Exhibit 8	Rate Design
Exhibit 9	Deferral and Variance Accounts

These exhibits correspond with the standard elements of a cost of service application. Rates set during a cost of service application are intended to recover a forecast revenue requirement based on an estimate of demand for the test year. A schematic of the elements of a cost of service application is provided in Appendix B. Distributors may refer to Appendix C for a list of key references that underpin many of the filing requirements documented in this chapter. The items outlined below are general requirements that are applicable throughout the application:

- Written direct evidence is to be included before data schedules.
- Average of the opening and closing fiscal year balances must be used for items in rate base, as described in section 2.2.1, unless an alternative method is documented and justified.

- Total capitalization (debt and equity) must equate to total rate base.
- Data for the following years, at a minimum, must be provided, unless explicitly stated otherwise:
 - Test year = prospective year (calendar year during which new rate year commences).
 - Bridge year = current year (or the year immediately preceding the test year).
 - Three most recent historical years (or for as many years as are necessary to provide actuals back to and including the most recent OEB-approved test year, but not less than three years).
 - Most recent OEB-approved test year.

Documents must include page numbers and be provided in bookmarked and text-searchable PDF format.

If a distributor updates its evidence during the course of the proceeding, the distributor must adhere to Rule 11 of the [Rules of Practice and Procedure](#), and the distributor must ensure that the following models, among others, are updated, as applicable, and the revised data reconcile to each other:

- [Revenue Requirement Workform \(RRWF\)](#)
- Tariff Schedule and Bill Impacts Model
- Chapter 2 Appendices
- [Deferral and Variance Account ~~\(Continuity Schedule\)~~ Workform \[\\(DVA Continuity Schedule\\)\]\(#\)](#)
- [Commodity Accounts Analysis Workform \(Formerly “GA Analysis Workform”\)](#)
- Income Tax/Payments In Lieu of Federal and Provincial Corporate Tax (PILs) Workform
- Cost Allocation Model
- Retail Transmission Service Rates (RTSR) Model
- ~~[Lost Revenue Adjustment Mechanism Variance Account \(LRAMVA\) Workform \(if applicable\)](#)~~
- [Advanced/Incremental Capital Module \(ACM/ICM\) Model \(if applicable\)](#)
- [Vulnerability Assessment and System Hardening \(VASH\) Toolkit \(applicable when choosing Generic Option for VASH\)](#)

When filing Excel models, distributors should ensure that any links within these models are broken (e.g., links to other documents that are not filed with the application), and the filed versions of such models should be named so that they can be easily identified.

2.0.8 Materiality Thresholds

The distributor must provide justification for material amounts and material annual variances described in its application.

The materiality thresholds ~~differ depending on the magnitude of~~ are based on a distributor's revenue requirement. ~~The distributor-specific thresholds are~~ as follows:

- \$50,000 for a distributor with a distribution base revenue requirement less than or equal to \$10 million.
- 0.5% of distribution base revenue requirement for a distributor with a distribution base revenue requirement greater than \$10 million and less than or equal to \$200 million.
- \$1 million for a distributor with a distribution base revenue requirement of more than \$200 million.

An explanation ~~and/or with~~ supporting evidence (e.g., calculations, supporting rationale, etc.) is required for amounts exceeding the materiality threshold, and the threshold should be applied in the following ways:

Cost of Service	Materiality applied against
Capital Expenditures	Capital expenditure and/or in-service addition amounts
Capital Variances	Change in capital expenditures and/or in-service addition amounts
Rate Base Variances	Change in rate base amounts
Operations, Maintenance & Administration (OM&A)	OM&A amounts and/or change in OM&A amounts
Deferral and Variance Accounts (DVAs)	For each Group 2 DVA, the account balance, unless there is other specific guidance

A distributor may provide additional details for items below the threshold if it determines that this may be helpful to the OEB.

2.1 Exhibit 1: Application Overview and Administrative Documents

2.1.1 Table of Contents

The application must contain a Table of Contents listing the major sections and subsections of the application.

2.1.2 Application Summary and Business Plan

A distributor with less than 30,000 customers should provide its Business ~~and/or its~~ Strategic Plan. In the absence of a Business ~~Plan~~ or Strategic Plan, the distributor must

provide key planning assumptions, a description of material factors (internal and external) that may affect the operation of the distributor and major goals of the distributor in the test year and remaining years of the five-year term.

A distributor with 30,000 or more customers shall provide ~~its~~the Business Plan underpinning its application. This can be augmented by a plain language summary of the distributor's goals that informed its application if this is not otherwise included in the Business Plan. If the Distributor has a Strategic Plan, it should also be provided.

All distributors must also provide a brief summary of their application which must include the main requests or proposals in the application with appropriate section references to the application content, as well as the rationale behind each request. The summary must be written in plain language in a way that is easily comprehensible to customers and include the following:

A. Revenue Requirement

- Service revenue requirement requested for the test year
- Increase/decrease (\$ and %) from the most recent approved service revenue requirement
- Schedule of main drivers of revenue requirement changes from the last OEB-approved year

B. Load Forecast Summary

- Load and customer growth (% change kWh, kW and change in customer numbers³ from last OEB-approved application)

C. Rate Base and Distribution System Plan (DSP)

- Summary of the major drivers of the DSP and cost trends
- Rate base requested for the test year
- Change in rate base from last OEB-approved (\$ and %)
- Capital expenditures requested for the test year
- Change in capital expenditures from last OEB-approved (\$ and %)

D. Operations, Maintenance and Administration Expense

- OM&A requested for the test year
- Change in OM&A from last OEB-approved (\$ and %)
- Summary of overall drivers and cost trends

E. Cost of Capital

- A summary table showing the proposed capital structure and cost of capital parameters resulting in the Weighted Average Cost of Capital (WACC)

³ Please ensure when reporting customer numbers to indicate whether they are year-end or average.

- A statement as to whether or not the distributor is using the OEB's cost of capital parameters (as applicable)
- Summary and rationale of any deviations from the OEB's cost of capital methodology

F. Cost Allocation and Rate Design

- Summary of proposed new customer classes and/or customer class definition changes
- Summary of new proposed charges
- Summary of any significant changes proposed to revenue-to-cost ratios and fixed/variable splits
- Summary of any proposed mitigation plans to address rate impacts on specific customer classes or overall

G. Deferral and Variance Accounts

- Total disposition (\$) including split between customer classes and between Regulated Price Plan (RPP) and non-RPP customers (if applicable)
- Disposition period(s)
- —Any new DVAs requested ~~and any requested discontinuation of existing DVAs~~

H. Bill Impacts

- Summary of total bill impacts (\$ and %) for a residential consumer using 750 kWh, as well as a typical consumer for a distributor's service area for all customer classes. The bill impacts are to be calculated holding based on time-of-use commodity rates ~~based on time-of-use~~ and regulatory charges ~~held~~ constant.
- Bill impacts (the bill impacts that result only from distribution cost changes per sub-total A of Tariff Schedule and Bill Impacts spreadsheet model) to be used for the notice of application for a typical residential customer using 750 kWh per month and for a General Service < 50kW customer using 2,000 kWh per month on time-of-use pricing and for all other classes. A distributor should also include and propose bill impacts based on alternative consumption profiles and customer groups as appropriate given the consumption patterns of its customers.

2.1.3 Administration

This section must include the following:

- The contact information for the primary contact for the application, who may be a person within the distributor's organization other than the primary licence contact. The primary contact's name, address, phone number, and email address must all

be provided. The OEB will communicate with this person during the course of the application.

- Identification of any legal or other representation for the application.
- Confirmation of the distributor's internet address for purposes of viewing the application and related documents, and any social media accounts (with addresses) used by the distributor to communicate with its customers.
- A statement of where the notice of hearing should be published and the rationale for why the stated publication(s) is/are appropriate. The OEB has implemented a publication process that no longer requires that the distributor publish the notice of hearing. However, the OEB still requires the distributor's recommendation(s) regarding publication media.
- Statement as to the form of hearing requested (i.e., written or oral) and an explanation for the distributor's preference.
- The requested effective date.
- A statement identifying and describing any changes to methodologies as used in previous applications.
- Identification of OEB directions from any previous OEB Decisions and/or Orders, this includes any commitments made as part of an approved settlement. The distributor must clearly indicate how these are being addressed in the current application.
- Reference to the distributor's Conditions of Service. The distributor does not need to file its Conditions of Service but must provide a reference to where its Conditions of Service are publicly available (e.g., on the distributor's website), and confirm that the reference provided is the current version. A description of any changes that have been made relative to the version that was referenced in its last cost of service application must also be provided. If the Conditions of Service will change as a result of approval of the application, the distributor must also identify all such changes.
- Confirmation that there are no rates or charges listed in the Conditions of Service that are not on the distributor's Tariff of Rates and Charges.
- A description of the corporate and organizational structure of the distributor, showing the main units and executive and senior management positions within the organization. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the distributor company's Board of Directors and a description of the reporting relationships between distributor and management of the parent company. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control.
- A list of specific approvals requested, and relevant section(s) of the legislation, must be provided. All approvals, including accounting orders (deferral and

variance accounts), new rate classes, revised specific service charges or retail service charges which the distributor is seeking, must be documented in this section. A distributor may use Appendix 2-A – List of Requested Approvals to list its requests.

2.1.4 Small Distributor Process Eligibility (between 5,000 and 30,000 customers)

Beginning in 2024, for applications filed by very small distributors (i.e., distributors with less than 5,000 customers), the OEB piloted the use of a one-day Issues Meeting before the discovery process to streamline the review of the application, identify key issues for discovery or to discuss the possibility of eliminating a formal discovery process and moving directly to a settlement conference.⁴

Based on the outcomes of the pilot, and in accordance with item 9 of the OEB's 10-Point Action Plan,⁵ the OEB will broaden the availability of the one-day Issues Meeting option. This streamlined approach will now be automatically available to all very small distributors, and qualifying small distributors – those serving between 5,000 and 30,000 customers – under the newly established Small Distributor Process. Eligibility for small distributors will take into consideration the following criteria:

- Subtotal A bill impacts are less than 10%
- Total Bill Impacts are less than 10%
- There is no request for an Advanced Capital Module or a true-up of a past Incremental Capital Module
- Based on past applications of a similar nature, there are expected to be three intervenors or less in the proceeding
- Requests for an investment(s) in unique or emerging areas such as non-wire solutions (NWSs), electric vehicles, Distributed Energy Resources, electrification, Vulnerability and System Hardening, or similar matters
- The evidence does not raise unique issues or requests that have not been previously adjudicated by the OEB in a cost of service proceeding

A small distributor seeking to use the Small Distributor Process must make that known in its application. If a distributor is unsure whether it meets the criteria, it is encouraged to reach out to the Registrar's Office for assistance.

⁴ Very small distributors will continue to automatically qualify for the one-day Issues Meeting. If a very small distributor wishes to opt out of using the one-day Issues Meeting, the distributor should make that known in its application.

⁵ EB-2025-0098: OEB's 10-Point Action Plan: Implementing Update – Item #9, December 1, 2025

Small distributors who are approved to use the one-day Issues Meeting will be assigned two days for settlement conferences instead of the status quo three days to offset the collaboration time required between parties for the one-day Issues Meeting.⁶

2.1.54 Distribution System Overview

The following information must be filed:

- Description of distributor's service area: general description and map showing where the distributor operates within the province and the communities serviced by the distributor.

2.1.65 Customer Engagement

The purpose of customer engagement evidence in a rebasing application is to explain how customer feedback has been used by the distributor as an input to the planning process.

A distributor must provide information regarding its customer engagement activities, for activities that occur on an on-going basis, and for any specific activities pertaining to the application. Distributors may use Appendix 2-AC – Customer Engagement Worksheet to assist in listing its customer engagement activities.

Ongoing Customer Engagement

Ongoing customer engagement activities are carried out in the distributor's normal course of business. Distributors should describe the methods used to communicate and engage with each customer class regularly (e.g., bill inserts, town hall meetings, surveys, correspondence with key accounts, or other forms of outreach undertaken to engage customers),⁷ summarize the pertinent feedback it receives through regular customer communications and explain how this feedback informs its operations and its rate application, where applicable.

Application-Specific Customer Engagement

Distributors must explain their customer engagement process specific to their application. While there is no standard method or approach required for this engagement, distributors should tailor their customer engagement activities to their circumstances, and the proposals in their application. For example, there is no

⁶ Small distributors that qualify for the one-day Issues Meeting are still required to file the information required by these Filing Requirements.

⁷ The Customer Satisfaction Survey is still required as a component of the distributor's scorecard.

requirement for a distributor to undertake a formal survey to engage with customers if other approaches to engagement have been adopted.⁸

As an alternative to formal customer engagement surveys, more focused, application-specific, customer engagement may be more informative in assessing customer needs and priorities and may better inform distributors' plans and proposals in their application^s. Examples of focused customer engagement can include regular meetings with key account customers, or open town hall or virtual meetings with all customer classes to present key aspects of the application, or use of relevant feedback from the distributor's ongoing customer engagement. Any feedback from customers provided in response to such activities should be documented and cross-referenced to the final proposals included in the application.⁹ Distributors must be able to demonstrate how customer needs and priorities were factored into the distributor's decision-making process, particularly for aspects such as prioritizing capital investments, or weighing the tradeoffs between costs/bill impacts and reliability or other services.

Customer engagement should also include customers uniquely affected by a proposal(s) in the application, such as new rate classes, changes to the existing rate classes and changes such as Retail Service Charges, Specific Service Charges, standby rates, and unmetered-load customers. Such communication should take place when proposing changes to the level of the rates and charges, or the introduction of new rates and charges.

In accordance with the OEB's Rules of Practice and Procedure, before the record of a proceeding is closed, the applicant must file a document addressing the issues raised in letters of comment. For greater clarity, the applicant need not respond to each letter individually, but must address all issues raised in the letters. All responses to matters raised in letters of comment filed with the OEB during the proceeding will be filed on the public record.

2.1.76 Performance Measurement

Under the renewed regulatory framework (RRF), a distributor is expected to continuously improve its understanding of the needs and expectations of its customers and its delivery of services. To facilitate performance monitoring and benchmarking of distributors the OEB uses a scorecard approach.

The [Report of the Board on Performance Measures for Electricity Distributors: A Scorecard Approach](#) sets out the OEB's policies on the measures that will be used by

⁸ Ibid

⁹ Note that an absence of complaints may not be sufficient on its own to identify customer priorities.

the OEB to assess a distributor's effectiveness and continuous improvement in achieving the four outcomes which form the basis of the RRF Report.

Along with the scorecard, the OEB publishes a report each year on the benchmarking of electricity distributor cost performance. As described in the OEB's [Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors](#), an econometric model is used to generate efficiency rankings of each distributor to one of five groups based on their annually benchmarked cost performance.

In its rate application, a distributor should provide a link to its most recent scorecard. Distributors must identify performance improvement targets, being set by the distributor for itself, that would lead to enhancements to the distributor's scorecard performance over the term of the rate-setting plan. The distributor must also provide the OEB-approved benchmarking model for the test year which provides a forecast of its efficiency assessment for the purpose of providing the OEB with a directional indication of efficiency. The application should discuss how the results obtained from the OEB approved forecasting model and Activity and Program-based Benchmarking (APB) have informed the distributor's business plan and the application. Distributors may wish to provide a table summarizing their respective OEB-approved IRM increases for each of the last historical years between the last rebasing application and the current application, as well as the assigned cohort as per the OEB approved model for each historical year.

APB is an ongoing measure to encourage continuous improvement by regulated utilities and increase regulatory efficiency. In its application, for each of the ten programs, as outlined in the OEB's Activities and Program Benchmarking Reports¹⁰, distributors must provide at a minimum the following unit cost variance analysis:

- Year-over-year Historical Actuals (for the most recent APB results).
- Forecast Bridge Year vs. Historical Actuals, to the extent possible.
- Test Year vs. Historical Actuals, to the extent possible.
- An explanation of significant change (greater than 20% from previous year or five-year average)
- A plan to drive down unit costs if five-year average is 25% greater than industry five-year average

The analysis should include an explanation of variances in cost performance, whether changes in unit costs are within the distributor's control; and discuss any relevant

¹⁰ <https://www.oeb.ca/consultations-and-projects/policy-initiatives-and-consultations/activity-and-program-based>

actions planned or underway. Distributors should also discuss their econometric results to the extent possible.

2.1.87 Facilitating Innovation

On December 8, 2020, section 1 of the *Ontario Energy Board Act, 1998* (the Act) was amended to include a new electricity-related objective for the OEB: to facilitate innovation in the electricity sector. This change adds a new dimension to the OEB's consideration of applications and raises prospects for more cost-effective services that better meet the needs of customers. This new objective works with the other, existing objectives under the Act and the OEB will continue to evaluate proposals in light of all of the OEB's objectives.

Innovation has broad meaning: It can relate to the use of new technology, or new ways in which to use existing technologies. It could also include innovative business practices, including relationships with others to enhance services to customers and share costs. A distributor may wish to refer to the OEB's Innovation Sandbox to discuss and obtain customized guidance related to innovative ideas, services and business models.¹¹

Distributors are encouraged to include in their cost-based applications a description of the ways that their approach to innovation has shaped the application. This could include explanations of their approach to innovation or keeping up with innovation in their business more generally; of specific projects or technologies for enhancing the provision of distribution services in a way that benefits customers or facilitating their customers's ability to innovate in how they receive electricity services; and of enabling characteristics or constraints in their ability to undertake innovative solutions.

Distributors should include an explanation of how innovative alternatives have been considered in place of traditional investments. Distributors should include information about the costs, expected benefits and associated risks of these innovative alternatives.

An innovative approach the OEB has emphasized is for distributors to consider the use of ~~non-wires solutions~~ (NWSs) to address distribution system needs. NWSs can include conservation and demand management (CDM), also referred to as electricity demand-side management (eDSM), as well as distributed energy resources such as energy storage and distributed (embedded) generation. OEB guidance on the use of non-wires solutions for electricity distributors is synthesized in the *Non-Wires Solutions Guidelines for Electricity Distributors* (NWS Guidelines)¹² and referenced as appropriate throughout

¹¹ <https://www.oeb.ca/innovation>

¹² [Non-Wires Solutions Guidelines for Electricity Distributors](#), March 28, 2024

these Filing Requirements. The NWS Guidelines include supporting guidance to assess the economic feasibility of NWSs.¹³

~~Distributors may also apply for and to enable an incentive mechanism to use third-party DERs (i.e., non-distributor owned DERs) as s for distributors related to the use of a third-party NWSs.~~¹⁴ On November 25, 2025 the OEB amended the Distribution System Code (DSC) to establish a methodology for the setting of rates to include a margin on payments (MoP) incentive related to the use of third-party DERs as NWSs. The amendments added a new section 11 to the DSC to establish a default value of 25%, eligibility criteria and other filing requirements for distributors to apply for a MoP incentive.¹⁵

On March 20, 2025, the OEB issued a letter which provides guidance to support electricity distributors incorporating innovation-related proposals in their rate applications.¹⁶ If a distributor includes a discrete and innovative proposal in its rate application, the OEB encourages the distributor to review the five considerations set out in the OEB's March 20, 2025 letter.

~~Panels of The OEB Commissioners~~ will continue to make determinations that establish rates that are just and reasonable and which are made on the basis of the evidence before them. In its consideration of innovation by licensed electricity distributors, the OEB will also continue to have regard to the restrictions on business activity set out in section 71 of the Act, which prohibits these entities (and transmitters) from undertaking non-utility activities within the utility business, subject to certain exceptions. If distributors engage in activities that fall within the parameters set out in sections 71(2), (3) or (4), or 80 of the Act, those non-distribution activities must be accounted for separately from distribution activities to assist the OEB in ensuring that costs related to these non-distribution activities are not included in rates.

2.1.98 Financial Information

This section must include the following:

- Audited financial statements of the distributor (excluding operations of affiliated companies that are not rate-regulated) for the most recent two historical years (i.e., one year's statement must be filed, covering two years of historical actuals).

¹³ [Benefit-Cost Analysis Framework for Addressing Electricity System Needs](#), May 16, 2024

¹⁴ [Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives](#), March 28, 2023

¹⁵ [EB-2025-0083, Notice of Amendments to the Distribution System Code – Amendments Regarding a Margin on Payment Incentive Mechanism for the Use of Third-Party Distributed Energy Resources as Non-Wires Solutions](#), November 25, 2025

¹⁶ [Innovation-related Proposals in Rate Applications](#), March 20, 2025

If the most recent final historical audited financial statements are not available at the time the application is filed, draft financial statements must be filed and the final audited financial statements, together with a summary of the main changes from the draft statements (if there are any) must be provided as soon as they are available. Alternatively, if the electricity distributor publishes its financial statements publicly, a link to the website may be provided.

- A detailed reconciliation of the financial results shown in the audited financial statements with the regulatory financial results filed in the application, including a reconciliation of the fixed assets in order to, as one example, separate non-distribution businesses. This must include the identification of any deviations that are being proposed between the audited financial statements and the regulatory financial results, including the identification of any prior OEB approvals for such deviations.
- Annual Report and Management's Discussion and Analysis for the most recent year of the distributor and of the parent company, as available and applicable. If a distributor also files an Annual Information Form publicly, a link to this Form should be provided.
- Rating agency report(s), if available.
- Prospectuses, information circulars, etc. for recent and planned public debt and/or equity offerings.
- Any change in tax status (e.g., from a corporation to a limited partnership).
- A description of existing accounting orders and list of any departures from these orders.
- Any departures from the Uniform System of Accounts (USoA).
- The accounting standards used for general purpose financial statements and when those standards were adopted.

If a distributor is conducting non-distribution businesses, such as generation, it must confirm that the accounting treatment it has used has segregated all of these activities from its rate-regulated activities. Distributors owning generation facilities should consult the OEB's [Guidelines: Regulatory and Accounting Treatments for Distributor-Owned Generation Facilities G-2009-0300](#), September 15, 2009, or any successor document.

2.1.109 **Distributor Consolidation**

Distributors must file information on the extent to which they have investigated potential opportunities for consolidation or collaboration/partnerships with other distributors. This should be contained within a dedicated section of the application and include any conclusions resulting from any investigations or plans to explore future opportunities.

If any distributor has become party to a proposed or approved Merger, Amalgamation, Acquisition, or Divestiture (MAADs) transaction with any other distributor(s) since its last rebasing application, it should disclose this information in the application.

If distributors received OEB approval for a consolidation transaction prior to ~~January 1, 2025~~~~June 18, 2024~~, these distributors should refer to the 2016 [Handbook to Electricity Distributor and Transmitter Consolidations](#) for information regarding the OEB's policy on rebasing after consolidation.

Distributors that received OEB approval for a consolidation transaction after the date noted above should refer to the [Handbook to Electricity Distributor and Transmitter Consolidations: Rate-making Considerations and Filing Requirements for Consolidation Applications](#) (2024 MAADs Handbook), issued on July 11, 2024 for information regarding the OEB's policy on rebasing after consolidation.

A distributor that is filing an application to rebase following a consolidation must:

- Identify any incentives that formed part of the consolidation transaction if the incentive represents costs (e.g., programs, projects and/or assets) that are being proposed to remain in or be entered into rate base and/or revenue requirement.
 - List the exhibits of its application in which any such incentives are discussed.
- Specify whether and which commitments made to shareholders are to be funded through rates.
- Detail the realized and projected savings resulting from the consolidation compared to what was in the approved consolidation application and explain the nature of these savings (e.g., whether one time, ongoing, sustainable).
- Detail the efficacy of any rate plan confirmed as part of a MAADs application.
- Identify approved ACMs or ICMs from a previous IRM application it proposes be incorporated into rate base.

Distributors rebasing for the first time following a consolidation that was approved under the 2024 MAADs Handbook must also provide additional information as set out below.

Distributors that Deferred Rebasing for Five Years or Less

A report must be produced that includes:

- Achieved efficiencies and savings associated with the various activities where efficiencies were expected (as documented in the consolidation application)
- A qualitative discussion on enhanced reliability and service quality as a consolidated distributor

- A qualitative discussion on enhanced reliability and service quality on a rate zone basis
- Total transaction and transition costs, and whether those have been recovered over the term of the deferred rebasing period through the savings achieved
- A discussion on any obstacles encountered since consolidation and how the distributor managed those obstacles. If applicable, a discussion of how obstacles affected the consolidated entity from reaching its targets should also be included

Distributors that Deferred Rebasing for More than Five Years

As per the 2024 MAADs Handbook, distributors that elect to defer rebasing for more than five years are required to produce a mid-term report detailing the progress to-date on the steps toward integration, collected on a reasonable efforts basis.¹⁷ As part of the post-consolidation rebasing application, the consolidated utility is to provide updates to this information based on achieved results, including for any period not covered by the initial mid-term report.

Other

Regardless of the length of the elected deferred rebasing period, a distributor must provide on a reasonable efforts basis, an updated version of the revenue requirement analysis provided in the consolidation application¹⁸ based on information known at the time of the filing, and a comparison and discussion of the consolidation application forecasts versus those filed in the post-consolidation rebasing application.

~~2.1.10 Impacts of COVID-19 Pandemic~~

~~Distributors are generally expected to reflect the impacts of the COVID-19 pandemic in their applications, including applicable forecast information. This includes, but is not limited to, the distributor's load forecast, capital forecast, and OM&A forecast in the applicable sections of the application. With respect to eligibility for recovery of previously incurred costs associated with the COVID-19 pandemic, distributors should refer to section 2.9.1.6.~~

¹⁷ As per the *Handbook to Electricity Distributor and Transmitter Consolidations: Rate-making Considerations and Filing Requirements for Consolidation Applications*, Schedule 2 – Filing Requirements for Consolidation Applications, pg. 34, revised July 11, 2024, the mid-term report would be filed with the OEB under the associated filing number of the respective consolidation application proceeding.

¹⁸ *Handbook to Electricity Distributor and Transmitter Consolidations: Rate-making Considerations and Filing Requirements for Consolidation Applications*, Schedule 2 – Filing Requirements for Consolidation Applications, pg. 9-10, revised July 11, 2024

2.2 Exhibit 2: Rate Base and Capital

2.2.1 Rate Base

Distributors should indicate whether capital expenditures are equivalent to in-service additions. If so, variance explanations are only required once.¹⁹ If not, the distributor should specify whether it is explaining variances based on capital expenditures or in-service additions. In this case, for both variance explanations are not required to be provided.

For rate base, the distributor must include the opening and closing balances for each year, and the average of the opening and closing balances for gross fixed assets and accumulated depreciation. If a distributor uses an alternative method, such as calculating the average in-service fixed assets based on the average of monthly or quarterly values, it must document and justify the methodology used. Rate base may also include an allowance for working capital (described below).

This section must include a table showing the components of the last OEB-approved rate base, the proposed test year rate base and the variances.

2.2.2 Fixed Asset Continuity Schedule

The information outlined in Appendix 2-BA must be provided for each year, in Excel format.

Continuity statements and year-over-year variance analyses must be provided. Continuity statements must provide year-end balances and include any capitalized interest during construction and any capitalized overhead costs. Written explanations must be provided where there is a year-over-year variance greater than the applicable materiality threshold.

If continuity statements have been restated for the purposes of the application (e.g., changes in accounting standards or policies, or to reflect corrections in historical audited values), the distributor must provide an explanation for the restatement and provide a reconciliation to the original statements.

The following comparisons must be provided:²⁰

- Historical OEB-approved vs. historical actual (for the most recent historical OEB-approved year)

¹⁹ Capital in-service additions in year X = (Capital expenditures in year X) + (closing Construction Work in Progress (CWIP) in year X-1) – (closing CWIP in year X)

²⁰ ACM/ICM assets to be included in the in-service year

- Historical actual vs. preceding historical actual (for the relevant number of years)
- Historical actual vs. bridge
- Bridge vs. test year

The opening and closing balances of gross fixed assets and accumulated depreciation that are used to calculate the fixed asset component of rate base must correspond to the respective balances in the fixed asset continuity statements. In the event that the balances do not correspond, the distributor must provide an explanation and reconciliation. This reconciliation must be between the opening and closing test year net book value balances reported on the Fixed Asset Continuity Schedule (Appendix 2-BA) and the balances included in the rate base calculation. Examples of adjustments that would be made to the fixed asset continuity schedule balances for rate base calculation purposes are the deduction of the amounts for Construction Work in Progress (CWIP), capital contributions, and Asset Retirement Obligations (AROs).

A distributor may include in-service balances previously recorded in deferral or variance accounts, such as renewable generation/smart grid related accounts, in its opening test year Property, Plant, and Equipment (PP&E) balances, if these costs have not been previously reviewed and approved for disposition, and if disposition is being requested in this application. This may result in opening balances not reconciling to the closing bridge year PP&E balances. In this situation, the distributor must clearly show in its evidence (e.g., Appendix 2-BA) that the addition was included in the opening test year balances and must reconcile the closing bridge year and opening test year figures. Distributors must provide the same reconciliation for accumulated depreciation.

A distributor must provide a summary of any ACM or ICM adjustment(s), including what amounts were approved and what amounts were incurred, if the distributor received approval for an ACM or ICM adjustment as part of a previous IRM application.

Continuity statements must be reconcilable to the calculated depreciation expenses and presented by asset account. Further guidance is included in the filing requirements appendices spreadsheets and under section 2.0.2.

The distributor must ensure that all asset disposals have been clearly identified in the Chapter 2 Appendices for all historical, bridge and test years.

2.2.34 Depreciation, Amortization and Depletion

Distributors must demonstrate that the proposed levels of depreciation/amortization expense appropriately reflect the useful lives of the distributor's assets and the OEB's policies.

The Kinectrics Report²¹ provides information that the OEB expects distributors will consider as they report on asset service lives as part of their cost of service applications. However, while the Kinectrics Report contains a range of useful lives for assets, distributors must ensure that these ranges (and the specific useful lives selected within the ranges) are appropriate to their circumstances when preparing a cost of service application. Distributors must also provide explanations and support for any proposed useful lives that are not within the ranges contained in the Kinectrics Report.

The information outlined below is required for depreciation, amortization and depletion:

- Details for depreciation, amortization and depletion by asset group for the historical, bridge and test years, including asset amounts and rates of depreciation or amortization. The distributor must file the applicable depreciation appendix as provided in the Chapter 2 Appendix 2-C. These must reconcile with the accumulated depreciation balances in the Fixed Asset Continuity Schedule (Appendix 2-BA) under rate base.
- The distributor must identify any AROs and any associated depreciation or accretion expenses related to the AROs, including the basis for and calculation of these amounts.
- The OEB's general policy for electricity distribution rate-setting has been that capital additions would normally attract six months of depreciation expense when they enter service in the test year.²² This is commonly referred to as the "half-year" rule. Distributors may propose a different approach in their applications for the OEB's consideration but must identify their historical practices and must support any variance from the half-year rule whether that variance applies to just the test year, subsequent years, or both.
- The distributor must provide a copy of its depreciation/amortization policy, if available. If not, the distributor must provide a written description of the depreciation practices followed and used in preparing the application. The distributor must provide a summary of changes to its depreciation/amortization policy made since the distributor's last cost of service filing.
- If the distributor is filing an application under Modified International Financial Reporting Standards (MIFRS) accounting standards, it must ensure that the significant components of each item of PP&E are being depreciated separately. Any deviations from this practice must be explained.

²¹ EB-2010-0178, [Asset Depreciation Study for Use by Electricity Distributors](#) (the Kinectrics Report), July 8, 2010

²² [Report of the Board: 2006 Electricity Distribution Rate Handbook \(RP-2004-0188\), May 11, 2005](#), p. 15 (regarding the ½ year treatment for new in-service additions)

A distributor that has not made any changes to its depreciation policy or asset service lives since its last rebasing application must state that this is the case. For a distributor that has made any changes to its depreciation policy or asset service lives since its last rebasing application, the following is required:

- Identification of the changes and a detailed explanation for the causes of the changes.
- The distributor must use the Kinectrics Report or provide its own study to justify changes in useful lives.
- The distributor must provide a list detailing all asset service lives and reconcile this list to the USoA. The distributor must detail differences between its asset service lives and the Typical Useful Lives (TULs) from the Kinectrics Report and provide a detailed explanation for using a service life that is outside the minimum and maximum TULs in the Kinectrics Report. A completed Appendix 2-BB – Service Life Comparison must be filed if there have been changes in asset service lives since the distributor's last rebasing application.

2.2.45 Allowance for Working Capital

~~In a letter dated June 3, 2015, the OEB provided an update to the OEB's policy for the calculation of the allowance for working capital.~~ The distributor may take one of two approaches for the calculation of its allowance for working capital: (1) use the default allowance of 7.5% of the sum of Cost of Power (CoP) and OM&A or (2) file a lead/lag study.²³

If the distributor has been directed by the OEB to undertake a lead/lag study as part of its last rate application, it must comply with that order.

The lead/lag study will include a lead/lag analysis for two time periods, namely:

- The time between the date customers receive service and the date that the customers' payments are available to the distributor (the revenue lag).
- The time between the date when the distributor receives goods and services from its suppliers and vendors and the date that it pays for them (the expense lead).

Leads and lags are measured in days and are dollar-weighted. The dollar-weighted net lag (i.e., lag minus lead) is then divided by 365 (366 in a leap year) and then multiplied by the annual test year cash expenses to determine the amount of working capital required for operations. This amount is included in the distributor's rate base

²³ [OEB letter, Working Capital Allowance for Electricity Distributors, December 2025](#)

determination. The lead/lag study should reflect the distributor's actual billing and settlement processing timelines as well as consider relevant changes to the operating environment.

The commodity price estimate used to calculate the CoP must be determined by the split between RPP and non-RPP Class A and Class B customers based on actual data and using the most current RPP (TOU) prices established. The calculation must also include the impact of the most current Ontario Electricity Rebate. Distributors must complete Appendix 2-ZA – Commodity Expense Forecast and Appendix 2-ZB – Cost of Power.

The calculation must also use the most recently approved Uniform Transmission Rates (UTRs), Smart Metering Entity charge and regulatory charges.

2.2.56 Distribution System Plan

Distributors must file a consolidated DSP in accordance with Chapter 5. All elements of the DSP must be contained in one integrated and cohesive document that contains each of its prescribed components. The DSP must be filed as a stand-alone and self-sufficient element within Exhibit 2. Most distributors in recent years have found it convenient to file the DSP as an appendix to Exhibit 2.

2.2.67 Policy Options for the Funding of Capital

~~On September 18, 2014, the OEB issued the Report of the Board on New Policy Options for the Funding of Capital Investments: The Advanced Capital Module²⁴ (the ACM Report). The ACM reflects an evolution of the ICM adopted by the OEB in 2008.~~

~~The ACM expands the ICM concept to incorporate the concept of recovery for qualifying incremental capital investments during the Price Cap IR period with an opportunity to identify and pre-test such discrete capital projects documented in the DSP as part of the cost of service application.~~

~~On January 22, 2016, the OEB issued the Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report. This report made changes to the materiality threshold on which ICM and ACM proposals are assessed, but otherwise did not alter the requirements for ACM and ICM proposals by a distributor. The Supplemental Report also reaffirmed the applicability of the half-year rule for determining the return on capital in the first year that assets enter service.~~

²⁴~~EB-2014-0219~~

As part of a cost of service application, a distributor may propose qualifying ACM²⁵ capital projects that are expected to come into service during the subsequent Price Cap IR term.²⁶ These will be discrete projects as documented in the DSP. The distributor must establish the need and prudence of these projects based on DSP information. For projects with an expected capital cost of \$2 million or more, excluding general plant investments, this includes documentation of the consideration of NWSs to meet the identified system need that will be addressed by the project(s) as articulated in the OEB's [Benefit-Cost Analysis Framework for Addressing Electricity System Needs](#) (BCA Framework) to assess the economic feasibility of NWSs. The distributor must also identify that it is proposing ACM treatment for these future projects and provide the preliminary cost information, and ACM/ICM materiality threshold calculations to show that these would qualify for ACM treatment based on the forecast information at the time of the DSP and cost of service application. The ACM Report provides further details of the information required. A distributor applying for an ACM must file the completed spreadsheet: Capital Module Applicable to ACM and ICM.

The timing and actual amount of the rate riders used to recover the costs of qualifying ACM projects in the subsequent Price Cap IR period will not be determined in the cost of service application. This determination will be made in the Price Cap IR application for the year in which the capital investment will be made and when the project comes into service. At that time, the distributor must file updated information on the forecast costs and demonstrate that the capital project still qualifies for incremental capital funding and recovery.

The distributor must also provide its most recent calculation of its regulated return at the time of the applicable Price Cap IR application in which funding for the project, and recovery through rate riders, would commence. If the achieved regulated return exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates, that distributor will not qualify for funding for an incremental capital project. Therefore, any approvals provided for an ACM in a cost of service application

²⁵ The ACM reflects an evolution of the ICM adopted by the OEB in 2008. The ACM expanded the ICM concept to incorporate the concept of recovery for qualifying incremental capital investments during the Price Cap IR period with an opportunity to identify and pre-test such discrete capital projects documented in the DSP as part of the cost of service application. See the OEB's EB-2014-0219 *Report of the Board on New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, September 18, 2014

²⁶ The *Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report*, issued January 22, 2016, made changes to the materiality threshold on which ICM and ACM proposals are assessed but otherwise did not alter the requirements for ACM and ICM proposals by a distributor. The Supplemental Report also reaffirmed the applicability of the half-year rule for determining the return on capital in the first year that assets enter service.

will be subject to the distributor passing the means test in order to receive its funding during the IR term.

The distributor must also provide explanations for material variances of any updated forecast costs (and timing, if applicable). However, the nature and need for the project will be determined as part of the ACM in the cost of service application so that it is considered as part of the distributor's overall DSP ~~for the distributor~~.

Capital projects that are not anticipated in the DSP or for which cost forecasts are not sufficiently robust may still qualify for ICM treatment. Such projects may be proposed in a subsequent Price Cap IR application and will be thoroughly tested at that time.

~~On January 22, 2016, the OEB issued the Report of the OEB on New Policy Options for the Funding of Capital Investments: Supplemental Report. This report made changes to the materiality threshold on which ICM and ACM proposals are assessed, but otherwise did not alter the requirements for ACM and ICM proposals by a distributor. The Supplemental Report also reaffirmed the applicability of the half-year rule for determining the return on capital in the first year that assets enter service.~~

2.2.78 Addition of Previously Approved ACM and ICM Project Assets to Rate Base

Any distributor that has an approved ACM or ICM from a previous IRM or stand-alone application must file a schedule of the ACM/ICM capital asset amounts (i.e., PP&E and associated depreciation) it proposes to be incorporated into rate base. The distributor must compare actual capital spending with the OEB-approved amount and provide an explanation for variances. The OEB will determine any true-up treatment for variances between forecast and actual capital spending during the IRM plan term.

A distributor should record actual amounts in the appropriate sub-accounts of Account 1508 – Other Regulatory Assets in accordance with the OEB's *Accounting Procedures Handbook* ([APH Guidance](#)).²⁷

The rate of interest should be the rate prescribed by the OEB for deferral and variance accounts for the respective quarterly period as published on the OEB's website.²⁸

At the time of the subsequent rebasing application, a distributor is required to provide the funding true-up calculation if material, comparing the recalculated revenue

²⁷ See Accounting Procedures Handbook, March 2015 Guidance #13, 14 for details on accounts and related journal entries.

²⁸ See section 7.5 of the [Report of the Board - New Policy Options for the Funding of Capital Investments: The Advanced Capital Module](#), issued September 18, 2014 for more details.

requirement based on actual capital spending relating to the OEB-approved ACM/ICM project(s) to the rate rider revenues collected in the same period. Distributors should note assumptions used in the calculation (e.g., half-year rule). If the OEB determines that a true-up of variances is required, the variance will be refunded to (or collected from) customers through a rate rider.

The impacts of accelerated capital cost allowance (CCA)²⁹ should not be reflected in an ACM revenue requirement proposal associated with these projects. The OEB will assess the impact of the accelerated CCA on all capital investments at the time of rebasing to minimize the complexity of the review. Distributors should include the impact of the CCA rule change associated with any ACM projects that are approved for ACM treatment in Account 1592 - PILs and Tax Variances – CCA Changes. Disposition of amounts tracked in the applicable Account 1592 CCA sub-account should be brought forward at the time of a distributor's next rebasing.

The materiality criteria for an ACM includes a requirement that any incremental capital amounts must clearly have a significant influence on the operation of the distributor. The OEB may take the accelerated CCA into consideration in assessing the impact of the proposed capital project(s) on the operations of the distributor in determining if ACM/ICM funding is warranted.

2.2.89 Capitalization

~~The OEB notes that distributors should have adopted International Financial Reporting Standards (IFRS) for external reporting purposes prior to January 1, 2015, unless they report under United States Generally Accepted Accounting Principles (USGAAP) or Accounting Standards for Private Enterprises (ASPE). For regulatory and ratemaking purposes, the standards are applied differently by the OEB in a number of areas and are referred to as Modified International Financial Reporting Standards (MIFRS) for those distributors that report under IFRS for external reporting purposes. It is the OEB's expectation that most distributors have previously rebased under MIFRS or other accounting standards after Canadian Generally Accepted Accounting Principles were replaced by IFRS. Distributors that have not rebased under MIFRS are expected to have made regulatory accounting changes for depreciation expense and capitalization policies by January 1, 2013, as mandated by the OEB. Distributors that have not previously rebased under MIFRS (and are not reporting under USGAAP or ASPE) should consult previous filing requirements for guidance or contact OEB staff.~~

²⁹ See section 2.6.2.1 of these Filing Requirements for further information regarding accelerated CCA, as well as details pertaining to Account 1592 - PILs and Tax Variances – CCA Changes.

A distributor must include a statement confirming the accounting standard that is used in the application: Modified International Financial Reporting Standards (MIFRS), United States Generally Accepted Accounting Principles (USGAAP) or Accounting Standards for Private Enterprises (ASPE).

Capitalization Policy

The distributor must provide its capitalization policy, including changes to that policy since its last rebasing application filed with the OEB. A distributor that has not made any changes to its capitalization policy since its last rebasing application must confirm that this is the case.

Overhead Costs

The distributor must complete Appendix 2-D regarding overhead costs on self-constructed assets.

Burden Rates

The distributor must identify the burden rates related to the capitalization of costs of self-constructed assets and describe how the burden rates were derived. Furthermore, if the burden rates were changed since the last rebasing application, the distributor must identify the burden rates prior to the change.

2.2.910 Costs of Eligible Investments for the Connection of Qualifying Generation Facilities

See Appendix A.

2.3 Exhibit 3: Customer and Load Forecast

This exhibit includes evidence on the distributor's forecast of charge determinants/billing determinants (i.e., customers,³⁰ energy and load), and variance analyses related to these items.

2.3.1 Load Forecasts

The distributor must provide a weather-normal load forecast. A table outlining any factors that influence the load forecast in its service territory should be included. This table could include, but not be limited to factors such as demographics, customer

³⁰ Customer numbers must be identified as representing either year-end numbers or the annual average.

composition, energy conservation and the presence of wholesale market participants. If a factor is identified as not applicable, no further explanation of that factor is required.

The distributor should provide an explanation of the causes, assumptions and adjustments for the volume forecast. All economic assumptions and data sources used in the preparation of the load and customer count forecast must be included in this section (e.g., Housing Outlook & Forecasts, adoption of electric vehicles, and other variables used in forecasting volumes). The distributor must also provide an explanation of the weather normalization methodology used. Generic load profiles and universal normalization methods may not reflect the unique customer mix, weather and economic activities of a distributor's service territory.

A distributor must complete Appendix 2-IB – Actual and Forecast Load and Customer Data. The customer/connection and load forecast for the test year must also be entered ~~in on a new tab of the~~ RRWF Revenue Requirement Work Form, Sheet 10: Load Forecast.

Two types of load forecasting models have generally been filed with the OEB in previous cost of service applications: Multivariate Regression and Normalized Average Use per Customer (NAC) models. In addition, the OEB posted on the OEB's EDR webpage a sample NAC load forecast developed by the Very Small Utility Working Group ~~as an example for very small utilities (less than 5,000 customers) to assist very small distributors in developing their individual load.~~

While the distributor is not restricted to using these approaches, the following information is required for these two modelling methodologies, when used.

2.3.1.1 Multivariate Regression Model

The following must be provided:

- If the proposed model's methodology differs from the methodology used in the most recent load forecast, the distributor must provide its rationale to support the change. A discussion of modelling approaches considered and alternative models tested must be provided.
- Statistics should include, but not be limited to, the regression equation(s) coefficients and intercept (e.g., associated t- statistics; model statistics including R^2 , adjusted R^2 , F-statistic, Root-Mean- Squared-Error, and Durbin-Watson statistic). The distributor is to explain any resulting non-intuitive relationships (e.g., negative correlation between load growth and economic growth, load growth and customer growth, etc.).

- Explanation of the weather-normalization methodology including:
 - If monthly Heating Degree Days (HDD) and/or Cooling Degree Days (CDD) are used to determine normal weather: the monthly HDD and CDD are based on either: a) 10-year average or b) the distributor's proposed alternative approach, which must be supported with evidence.
- Definitions of HDD and CDD, including:
 - Climatological measurement point(s) (i.e., identification of Environment Canada weather station(s)) and why these are appropriate for the distributor's service territory.
 - Identification of base degrees from which HDDs and CDDs are measured (e.g., 18° C or other).
- Sources of data used for both the endogenous and exogenous variables. Where a variable has been constructed, a complete explanation of the variable, used and source of the data must be provided. Where a distributor has constructed the demand variable to model billed consumption on a class-specific basis, a full explanation of the approach used to pro-rate or interpolate non-interval data (i.e., if billing data are not based on calendar monthly readings as obtained from interval or smart meters) must be provided, including an explanation of why the constructed demand series is suitable for modelling.
- Any binary variables used (e.g., to account for individual data points, to account for seasonal or cyclical trends, to account for discontinuities in the historical data) must be explained and justified. The use of binary variables should be limited and overlap with other variables should be avoided.
- Explanation of any specific adjustments made (e.g., to adjust for loss or gain of major customers or load, significant re-classifications of customers, adoption of electric vehicles, etc.). Note locally purchased generation should be included in the total for purchased power.
- Description of how CDM and NWS impacts and other exogenous factors have been accounted for in the historical period, and how CDM and NWS impacts, including any targets or forecasts in the bridge and test years, are factored into the test year load forecast.

Data and regression model and statistics used in the customer and load forecast must be provided in working Excel format. This ~~would include~~s showing the derivation of any constructed variables.

2.3.1.2 Normalized Average Use per Customer Model

The following must be provided:

- If the model used differs from the method used in the most recent load forecast, rationale to support the NAC methodology chosen.
- Data supporting the calculation of NAC values used in the application for each rate class.
- Description of how CDM and NWS impacts and other exogenous factors have been accounted for in the historical period, and how CDM and NWS impacts, including any targets or forecasts in the bridge and test years, are factored into the test year load forecast.
- Discussion of weather normalization assumptions used in developing the NAC forecast.

2.3.1.3 Integrated Energy Plan

On June 12, 2025, the OEB received a directive regarding the implementation of the Government of Ontario's Integrated Energy Plan (IEP).³¹ Pursuant to that directive, and specifically in relation to item 2 (2.1 and 2.2):

- The load forecast shall incorporate multiple demand scenarios. This will include a reference, high, and low scenario that takes into consideration the electrification of transportation, industry and any other areas that have electrification impacts. The high and low usage scenarios must include appropriate and substantiated assumptions. A distributor may use modelling done by others to assess multiple demand scenarios.
- The load forecast should incorporate economic growth projections, including employment, population and housing.
- The load forecast should consider future average weather impacts and include average, minimum (HDD) and maximum (CDD) temperatures.

Distributors should begin incorporating these requirements into their applications on a best-efforts basis by June 30, 2026. Distributors must address the requirements in applications filed after April 1, 2027 (expected for rates effective January 1, 2028 or later).

2.3.1.4~~3~~ Incorporating CDM and NWS Impacts in the Load Forecast for Distributors

Distributors are expected to determine how to incorporate the historical and forecast impacts of CDM and NWS activities into their load forecast, for the purpose of making the load forecast as accurate as possible. More guidance, including the supporting

³¹ Directive regarding the implementation of the Government of Ontario's Integrated Energy Plan - Energy for Generations: Ontario's Integrated Plan to Power the Strongest Economy in the G7, June 12, 2025, p.5

evidence that is required regarding the historical and forecast impact of these activities, is provided in the NWS Guidelines.³²

2.3.2 Accuracy of Load Forecast and Variance Analyses

Appendix 2-IB must be completed and the distributor must provide the following analyses:

- For customer / connection counts:
 - Identification as to whether customer/connection count is shown in year-end or year average format.
 - Year-over-year variances in changes of customer/connection counts, with explanations for changes in the definition of, or major changes in the composition of, each customer class. Major changes would include material loss, gain or re-classification of customers in one or more customer classes.
 - Explanations of the bridge year and test year forecasts by rate class.
 - For the last cost of service rebasing, variance analysis between the last OEB-approved and the actual results. Explanations for material differences should be provided.
- For consumption and demand:
 - Explanation, and details as necessary, to support how kWh are converted to kW for applicable demand-billed customer classes.
 - Year-over-year variances in consumption (kWh) and demand (kW or Kilo Volts Amperes (kVA)) (the latter for demand-billed classes) by rate class and for system consumption (kWh) overall, with explanations for material changes in the definition of, or major changes over time. This comparison should be done for both:
 - Comparison of historical actuals against each other.
 - Comparison of historical weather-normalized actuals over time.
 - Explanations of the bridge year and test year forecasts by rate class should be provided. Such analysis and explanation should document how these vary from or are trending from both historical actuals and from weather-normalized actuals.
 - For the last cost of service rebasing, variance analysis between the last OEB-approved and the actual results. Explanations for material differences should be provided.

Appendix 2-IA provides further instructions for ~~completing~~filling out Appendix 2-IB.

³² Section 7 of the NWS Guidelines

All data and equations used to determine the customers/connections, demand and load forecasts must be presented and filed in a live Excel spreadsheet format.

2.4 Exhibit 4: Operating Expenses

2.4.1 Overview

The overview should provide a brief explanation (quantitative and qualitative) of the following:

- OM&A test year expenditure levels.
- How the distributor develops its OM&A budget (e.g., zero based budgeting, inflationary increase or some combination), and the distributor's internal approval process.
- Associated cost drivers and significant changes that have occurred relative to historical and bridge years.
- Overall trends in costs, and relevant metrics including OM&A per customer (and its components), for the historical, bridge and test years, as discussed above.
- Inflation rate assumed. The OEB determines and publishes an appropriate inflation rate (the Input Price Index or IPI) for use by distributors with respect to IRM rate applications; distributors filing cost of service applications should be mindful of this rate, and, if proposing to use a different inflation rate in support of their proposed OM&A, should provide a full explanation supporting their proposal.
- Business environment changes.

2.4.2 OM&A Summary and Cost Driver Tables

The distributor must include the following tables as part of its evidence:

- Summary of Recoverable OM&A Expenses (Appendix 2-JA)
- Recoverable OM&A Cost Driver Table (Appendix 2-JB)
- OM&A Programs Table (Appendix 2-JC) or OM&A by USoA Table (Appendix 2-JD)
- Recoverable OM&A Cost per Customer and per Full Time Equivalent (FTE) (Appendix 2-L)

Distributors with 30,000 or more customers must present OM&A by Program. Appendix 2-JC must be filed to provide OM&A details and variance analysis on a program basis. It is recognized that for some distributors which use only a limited number of USoA accounts that single USoA accounts may be the equivalent of a program. For clarity,

distributors should provide for each program, a description of the USoA accounts included.

Distributors with less than 30,000 customers have a choice to file OM&A by Program or by USoA. Those distributors that opt to file by USoA, must file Appendix 2-JD, instead of Appendix 2-JC.

For all distributors, the table provided, 2-JC or 2-JD, must reflect the entire amount of OM&A proposed to be recovered through rates, and distributors must provide information for the bridge and test years. Appendix 2-JB should be used to provide information on the cost drivers of OM&A expenses. All distributors must file all remaining OM&A appendices, including Appendix 2-JA that breaks down the OM&A amount into major categories (Operations, Maintenance, etc.). Appendix 2-L normalizes OM&A and some of its subcomponents from Appendix 2-JA by customers and FTEs.

The distributor must identify the overall level of increase (decrease) in OM&A expense in the test year in relation to any decrease (increase) in capitalized overhead.

2.4.3 OM&A Variance Analysis

Distributors must complete the Appendix 2-JC – OM&A Programs Table (or 2-JD – OM&A by USoA). At a minimum, this will include the following variance analysis:

- Test Year vs. Historical OEB-Approved
- Historical OEB-Approved vs. Historical Actuals (for the most recent Historical OEB- Approved year)
- Test Year vs. most recent Historical Actuals

The materiality threshold applies to USoA accounts if using Appendix 2-JD or details of the OM&A programs if using Appendix 2-JC. If a distributor opts to detail OM&A expense on a USoA basis, the accompanying variance analysis and explanation should be broken down by the five major OM&A categories as per Appendix 2-JA (i.e., Operations, Maintenance etc.).

A distributor should note in the variance analysis if a change was not within the control of the distributor. Although not all historical years are required, distributors are encouraged to provide explanations for costs above the threshold which have impacted on its historical trend.

2.4.3.1 Workforce Planning and Employee Compensation

The distributor must complete Appendix 2-K – Employee Costs in relation to employee complement, compensation and benefits. Information on labour and compensation must

include the total amount, whether expensed or capitalized. Where there are three or fewer employees in any category, the distributor must aggregate this category with the category to which it is most closely related. This higher level of aggregation must be continued, if required, to ensure that no category contains three or fewer employees.

The OEB expects that distributors will provide a description of their proposed workforce plans, including compensation strategy and any changes from the previous plan. Distributors must discuss the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to FTE numbers and compensation. A complete explanation for all years includes:

- Variances with an explanation of contributing factors, inflation rates used for forecasts, and hiring plans for new employees.
- Basis for performance pay, eligible employee groups, goals, measures, and review processes for any pay-for-performance plans.
- Any relevant studies conducted by or for the distributor (e.g., compensation benchmarking).

The distributor must provide details of employee benefit programs, including pensions, other post-employment retirement benefits (OPEBs), and other costs charged to OM&A. A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for in the last OEB-approved rebasing application, and for historical, bridge and test years. The most recent actuarial report(s) must be included in the pre-filed evidence and be reconciled with the pension and OPEBs amounts (as applicable). The basis on which pension and OPEBs amounts are forecast for the bridge and test years must also be explained. What is documented in the tax section of the evidence must agree with this analysis.

Distributors that are virtual distributors (i.e., distributors that have outsourced all or the majority of functions, including employees, to affiliates) must also complete this appendix in relation to the employees of the affiliates who are doing the work of the regulated distributor. In addition to the information required per Appendix 2-K, the status of pension funding and all assumptions used in the analysis must be provided.

On September 14, 2017, the OEB issued its report on [Regulatory Treatment of Pension and Other Post-employment Benefits \(OPEBs\) Costs](#). A distributor is to be guided by this report in determining its pension and OPEB costs that it is requesting be recovered through rates in its application. The distributor must clearly indicate if pension and OPEB costs are proposed to be recovered using the default accrual basis or the cash basis. If a distributor is proposing to ~~calculate~~include pension and OPEB expenses in rates based on the cash method, it must provide sufficient supporting rationale and

evidence for doing so. If a distributor is proposing to change the basis ~~in~~on which pension and OPEB costs are included in OM&A from its last rebasing application (e.g., from cash to accrual), it must quantify the impact of the change. For all circumstances, the distributor must file the evidence required by the OEB to support the quantum of pension and OPEB costs in the test year.

2.4.3.2 Shared Services and Corporate Cost Allocation

Shared Services are 'shared corporate services' as defined in the Affiliate Relationships Code (ARC). The distributor must identify all shared services among the affiliated entities, including the extent to which a distributor is a virtual utility and justify its proposed shared services and corporate cost allocation in detail.

For shared services among affiliated entities, a distributor must provide at a minimum:

- The type of service provided or received.
- The pricing methodology (e.g., cost-base, market-base, tendering, etc.).

Corporate Cost Allocation is an allocation of costs for corporate and miscellaneous shared services from the parent company to the distributor~~utility~~ (and vice versa). The distributor must provide at a minimum:

- A list of shared services.
- The allocation methodology.
- A list of costs and allocators and an explanation of how the distributor derived the allocator.
- Any third-party review of the corporate cost allocation methodology used.

Distributors should ensure and be able to demonstrate that their approach to corporate cost allocation and shared services results in no more costs being allocated to the distributor than if it was operating as a stand-alone entity. Distributors should be prepared to support their corporate cost allocation with actual information if requested.

The distributor must complete Appendix 2-N – Shared Services and Corporate Cost Allocation in relation to each service provided or received for historical actuals and for bridge and test years. The table found in Appendix 2-N must be completed for each year. Additional rows may be added if required.

Distributors must provide a reconciliation of the revenue arising from Appendix 2-N with the amounts included in Other Revenue in section 2.6.3.

Variance analyses, with explanations, are required for the following:

- Test year vs. last OEB-approved
- Test year vs. most recent actuals

The distributor must identify any Board of Directors-related costs for affiliates that are included in the distributor's utility's own costs.

Please see section 2.6.3 – Other Revenue below for an overview of items that the distributor must address related to its affiliate transactions and the associated required regulatory accounting practices, distribution rate treatments, and adherence to the ARC.

2.4.3.3 Purchases of Non-Affiliate Services

A distributor must provide a copy of its procurement policy, including information on such areas as the level of signing authority, a description of its competitive tendering process, and confirmation that purchases for its non-affiliate services comply with the policy.

For any material transactions that are not in compliance with the distributor's procurement policy, or that were undertaken pursuant to exceptions contemplated within the policy, the distributor must provide an explanation as to why this was the case, as well as the following information for these transactions:

- Summary of the nature and cost of the product or service that is the subject of the transaction (Note that if there are concerns regarding disclosing the cost then confidentiality procedures should be followed).
- A description of the specific methodology used for selecting the vendor, including a summary of the tendering process/cost approach, etc.

2.4.3.4 Regulatory One-time Costs

The OEB notes that cost of service applications include costs that, once approved, are recovered annually over the five-year period over which the base rates, as adjusted during the IRM term, remain in effect. The distributor must provide information supporting the incremental costs associated with the preparation and review of the current application (for example, legal costs, consulting costs, intervenor costs). The distributor must identify one-time costs in the historical, bridge and test years ~~and provide an explanation as to how the costs included in the test year are to be recovered~~. An explanation must ~~also~~ be provided if a distributor is not proposing to recover one-time costs over the test year and the subsequent IRM term (i.e., amortization of the cost recovery over the normal five-year period).

Appendix 2-M – Regulatory Cost Schedule must be completed. ~~Costs that are being claimed on an amortized basis should not be included in historic/bridge years.~~

The OEB continues to expect that ongoing regulatory costs will be included in administration costs of the Operations, Maintenance & Administration (OM&A) expense,

and that if there is a material change, it would be reported in Appendix 2-JB OM&A Cost Drivers.

2.4.3.5 Low-income Energy Assistance Programs (LEAP)

As set out in the [Report of the Board on Low Income Energy Assistance Program](#) (the LEAP Report), the OEB determined that the greater of 0.12% of a distributor's OEB-approved distribution revenue requirement, or \$2,000, is a reasonable commitment by all distributors to emergency financial assistance. For greater clarity, the OEB-approved total distribution revenue means a distributor's forecast service revenue requirement as approved by the OEB. A distributor must include the relevant LEAP amount as part of its OM&A expenses in its initial application, which should be updated at the draft rate order stage.

Distributors may propose a LEAP fund higher than 0.12% if its demographics point to a greater need. Details of those demographics should be provided.

The LEAP amount is to be recovered from all rate classes based on the respective distribution revenue of each of those rate classes.

On February 12, 2024, the OEB issued a [letter](#) communicating changes to the Low-income Energy assistance Program Emergency Financial Assistance (LEAP EFA). For regulatory efficiency, the OEB also established a generic deferral account to allow rate-regulated electricity and natural gas distributors to record incremental LEAP EFA contributions that are beyond the amounts embedded in distribution rates. This account came into effect on March 1, 2024. The OEB expects that only prudently incurred and material costs recorded in the account will be sought for disposition.

2.4.3.6 Charitable and Political Donations

The recovery of charitable donations through regulated rates is not allowed, except for contributions to programs that assist the distributor's customers with paying their electricity bills and assist low-income consumers (e.g., applicable programs under [section 2.4.3.5](#) above). Distributors must provide detailed information for all contributions that are claimed for recovery.

The distributor must also confirm that no political contributions have been included for recovery.

2.4.4 Costs of Non-Wires Solutions and Conservation and Demand Management

The NWS Guidelines enable distributors to include NWSs in their DSPs to address system needs (more details are provided in Chapter 5 of the Filing Requirements). The costs of NWSs proposed through the DSP to address system needs (which may potentially include both capital and OM&A costs) are included in the revenue requirement.

The OEB will evaluate requests for NWS funding to address system needs consistent with the OEB's approach to evaluating other proposed expenditures in a rates application, for which evidence is provided in the DSP.

Distributors may also incur certain costs related to an ancillary role in other activities related to NWSs or CDM (e.g., system planning work to assess potential opportunities for distribution rate-funded NWSs to meet system needs), in advance of proposing any specific NWSs; ~~customer support for conservation and energy efficiency programs delivered by IESO or other organizations~~ that may be included in the revenue requirement. ~~CDM activity under the provincial 2021-2024 CDM Framework is centralized under the IESO and funded through the Global Adjustment (GA) mechanism. The NWS Guidelines indicate that any efforts by distributors to support these IESO programs should be limited in nature and non-duplicative of the IESO's activities, and that distributors should not request funding through distribution rates for dedicated CDM staff to support IESO programs.~~

The recovery of such costs will be ~~reviewed~~ determined as part of ~~through~~ the OEB's overall review of OM&A in rate applications. Additional guidance is provided in the NWS Guidelines.³³

CDM/eDSM activity under the provincial eDSM Framework is funded primarily through the Global Adjustment (GA) mechanism,³⁴ including funding for LDC eDSM activities that raise awareness of and increase uptake of IESO eDSM programs. Distributors should not request additional funding through distribution rates to support IESO programs.

³³ Section 6 of the NWS Guidelines

³⁴ The OEB is currently consulting (EB-2025-0156) on a proposal whereby local eDSM programs providing both local and system wide benefits could be funded from distribution rates (approved by the OEB) and the Global Adjustment, based on the beneficiary pays principle. Any changes resulting from this consultation will be reflected in a future update to the Filing Requirements.

An application must provide a statement confirming that no costs for ~~dedicated CDM-staff to support~~^{ing} IESO programs funded under the ~~eDSM2021-2024 CDM~~ Framework are included in the revenue requirement.

A distributor should generally not include any forecast costs associated with partnership in the IESO's Local Initiatives Program (LIP) within its revenue requirement; a distributor can seek to recover partnership costs at a future date through use of the LIP deferral account.³⁵ If a distributor has plans to partner with the IESO for the LIP at the time of its cost of service application, it should describe its proposed approach to partnership, including a forecast of LIP costs.

2.4.4.1 Funding Options for Future Non-Wires Solutions

The NWS Guidelines indicate that distributors may include NWSs (which may potentially include both capital and OM&A costs) in cost of service rate applications where the NWSs are expected to come into service during the Price Cap IR term. In such cases, a distributor should identify if all costs of such NWSs are included in the revenue requirement, or if the distributor intends to propose treatment similar to an ACM for these future NWSs. If the latter, a distributor should provide supporting rationale (e.g., the preliminary cost information and ACM/ICM materiality threshold calculations to show that a similar capital project would qualify for ACM treatment based on the forecast information at the time of the DSP and cost of service application). In such cases, if this approach is approved by the OEB, the nature and need for the NWS will be determined in the cost of service application, but cost recovery will be addressed during a subsequent Price Cap IR application.

2.5 Exhibit 5: Cost of Capital and Capital Structure

On March 27, 2025, the OEB issued its decision and order in its generic proceeding on the cost of capital and other matters (Cost of Capital Decision).³⁶ The Cost of Capital Decision determined the 2025 cost of capital parameters and updated the methodology for future mechanistic updates.

The general guidelines for cost of capital in rate regulation are currently provided in the OEB's Cost of Capital Decision.³⁷

The OEB issues cost of capital parameter updates for cost-based rate applications. Distributors should use the most recent parameters issued by the OEB as a

³⁵ Guidance to electricity distributors related to distributor partnership in the LIP, including use of the LIP Deferral account, is provided in the OEB's [letter](#) of May 28, 2021.

³⁶ [EB-2024-0063](#)

³⁷ [EB-2024-0063, Decision and Order](#)

placeholder, subject to an update if new parameters are available prior to the issuance of the OEB's decision on a specific distributor's application.

The Cost of Capital Decision established generic cost of capital parameters and deemed equity ratio but stated that a distributor could apply for different cost of capital parameters and equity ratio. In such a case, the distributor would need to provide evidence to justify why that would be appropriate. This evidence must provide a strong rationale for departing from the OEB's policy and why the Fair Return Standard cannot be met.³⁸ In addition, the applicant is strongly encouraged to hold a stakeholder session in advance of filing an application to explain its proposed departure from the generic policy established in the Cost of Capital Decision.

Applicants requesting multi-year revenue requirement approvals must indicate whether they are proposing that the cost of capital be updated annually or fixed for all test years, and the reasons for that proposal.

~~The OEB's general guidelines for cost of capital in rate regulation are currently provided in the Report of the OEB on the Cost of Capital for Ontario's Regulated Utilities³⁹ (the 2009 Report), issued December 11, 2009. The OEB is currently reviewing its cost of capital policy and other matters, as part of a generic proceeding.⁴⁰ The Decision in that proceeding may determine implementation details that will affect 2025 rates.~~

~~The OEB issues cost of capital parameter updates for cost of service applications. Distributors should use the most recent parameters issued by the OEB as a placeholder, subject to an update if new parameters are available prior to the issuance of the OEB's decision for a specific distributor's application.~~

~~Alternatively, the distributor may apply for a distributor-specific cost of capital and/or capital structure. If the distributor wishes to take such an approach, it must provide appropriate justification and supporting evidence for its proposal.~~

2.5.1 Capital Structure

In the Cost of Capital Decision, the OEB found that no changes are required to the treatment of variances from the deemed capital structure.

The elements of the deemed capital structure are shown below and must be presented with the required schedules. Appendix 2-OA – Capital Structure must be completed for the last OEB- approved and test years. Appendix 2-OB – Debt Instruments must be

³⁸ All three requirements of the Fair Return Standard – comparable investment, financial integrity and capital attraction – must be met and none ranks in priority to the others.

³⁹ ~~EB-2009-0084~~

⁴⁰ ~~EB-2024-0063~~

completed for all required historical, bridge year and test years, with respect to the following:

- Long-term debt
- Short-term debt
- Preference shares
- Common equity

Explanations ~~are required for of~~ material changes in actual capital structure or material differences between actual and deemed capital structure are required, including:

- Retirements of debt or preference shares and buy-back of common shares.
- Short-term debt, long-term debt, preference shares and common share offerings.

2.5.2 Cost of Capital (Return on Equity and Cost of Debt)

The Cost of Capital Decision stated the following regarding debt:

- The deemed long-term debt rate at the time of issuance will apply as a ceiling for electricity distributors in certain circumstances.
- With respect to affiliated debt, the deemed long-term debt rate will apply as a ceiling for electricity distributors for all debt held with a municipal government shareholder at the time of issuance.
- For affiliated debt held by the holding company, other affiliated company or related party of a rate regulated utility, the utility must explain how the debt rate is no higher than it would have been if funds were borrowed directly by the utility through the external markets.
- Rate regulated utilities are expected to demonstrate that they have been prudent in their management of debt. Utilities are required to file evidence to explain how they manage their long-term debt, including actual debt and the forecast for future debt.
- For utilities incurring transactions/issuance costs to secure financing from the market, the transaction/issuance costs should be incorporated into the debt interest rate used to set rates, so that the transaction costs are amortized over the term of the debt instrument using the effective interest rate methodology.
- The deemed short-term debt rate will apply to all electricity distributors.

~~These requirements are outlined in the 2009 Report.~~ The distributor must provide the following information:

- Calculation of the cost for each capital component.
- Profit or loss on redemption of debt and/or preference shares, if applicable.

- Copies of any current promissory or demand notes or other debt arrangements with affiliates. Note that this is not required for third 3rd-party debt, e.g., with commercial banks.
- Explanation of the applicable debt rate for each existing debt instrument, including an explanation of how the debt rate was determined and whether it is consistent with the policies documented in the Cost of Capital Decision ~~whether the rate complies with the policies documented in the 2009 Report~~ or the distributor's proposed approach (including the justification and key assumptions).
- Forecasts of new debt anticipated in the bridge and test years, including estimates of the applicable rate and any pertinent information on each new debt instrument (e.g., whether the debt will be with an-affiliated or with a third party, expected term/or maturity, any specific capital project~~(s)~~ that the debt funding is for, etc.).
- ~~• If the distributor is proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions.~~
- Historical Return on Equity (ROE) achieved.

Notional debt is that portion of the deemed debt capitalization that results from differences between the distributor's actual debt and the deemed debt thickness of 60% (56% long-term debt and 4% short-term debt). In the Cost of Capital Decision, the OEB found that the rate for notional debt will be at the lower of the deemed long-term debt rate at the time of issuance and the weighted average cost of actual long-term debt, but only when there are material variances relating to the notional debt (i.e., with material impacts on the revenue requirement).

~~An applicant should provide an overview of its financing strategy.~~

2.5.3 Not-for-Profit Corporations

In prior decisions, the OEB determined that distributors that are not-for-profit corporations may apply using the OEB's deemed capital structure and cost of capital.

A distributor that is a not-for-profit corporation must document and provide the following as part of its application, in addition to adhering to the OEB's general guidelines for cost of capital in rate regulation that are currently provided in the Cost of Capital Decision, as noted above:

- The requested capital structure.
- The requested cost of capital (including the proposed cost of long-term and short-term debt and the proposed return on equity).

- A statement as to whether the revenues derived from the return on equity component of the cost of capital will be used to fund reserves (operating, capital, insurance, etc.) or will be used for other purposes.
- If the revenues derived from the return on equity component of the cost of capital will be used to fund reserves, provide the specifications for each proposed reserve fund and a description of the governance (policies, procedures, sign-off authority, etc.) that will be applied.
- If the revenues derived from the return on equity component of the cost of capital will be used for other purposes, provide a statement as to whether these revenues will be used for non-distribution activities (in the situation where the excess revenues are greater than the amounts needed to fund distribution activities). Provide rationale supporting the use of the revenues in this manner. Also provide the governance (policies, procedures, sign-off authority, etc.) that will be applied to the funding of non-distribution activities.

If the distributor has approved reserves from previous OEB decisions, the distributor must also document the following:

- The limits of any capital and/or operating reserves as approved by the OEB and identifying the decisions establishing these reserve accounts and their limits.
- The current balances of any established capital and/or operating reserves.

2.6 Exhibit 6: Revenue Requirement and Revenue Deficiency or Sufficiency

The distributor must include the following information in this exhibit (provide cross reference to where in the application further details can be found for each item), excluding energy costs (i.e., cost of power and associated costs) and revenues, and unregulated costs and revenues:

- Determination of Net Income
- Statement of Rate Base
- Actual Return on Rate Base
- Indicated Rate of Return
- Requested Rate of Return
- Deficiency or Sufficiency in Revenue
- Gross Deficiency or Sufficiency in Revenue

The filing requirements have been designed in a manner to keep the delivery-related deficiency/sufficiency separate and apart from the energy-related deficiency/sufficiency. In keeping with this separation, the distributor must provide revenue deficiency or sufficiency calculations net of electricity price differentials captured in the Retail

Settlement Variance Accounts (RSVAs) and also net of any cost associated with low voltage (LV) charges or DVA balances of distribution expenditures/revenues being tracked through approved deferral and variance accounts for certain distribution assets (e.g., ICM and ACM capital projects) and for which disposition is not being sought in the application.

The distributor must provide a summary of the drivers of the test year deficiency/sufficiency, along with how much each driver contributes. Specific references to the data contained in the detailed schedules and tables filed in the application must be provided so that parties can easily map the summary cost driver information in this exhibit to the evidence elsewhere in the application that supports it.

The distributor must provide the impacts of any change in methodologies (e.g., accounting standards or policies) on the overall deficiency/sufficiency and on the individual cost drivers contributing to it.

2.6.1 Revenue Requirement Work Form

The RRWF is a live Excel spreadsheet issued by the OEB along with these filing requirements that provides a high-level summary of the numbers in the application.

The RRWF also serves as a summary of the changes to the proposed revenue requirement through the stages of application processing. Distributors should also be mindful that the “Summary of Proposed Changes” (Tab 14: Tracking Form), summarizing cumulative changes to key results of the application is required. This tab must be completed and kept updated during the course of the application review process and each time a new version of the RRWF is filed.

The RRWF includes summaries of customer/connection and load forecast, cost allocation, rate design and revenue reconciliation data. This allows the distributor to calculate and present a summary of the proposed distribution rates, excluding any rate riders or rate adders in the RRWF. The RRWF thus serves as a cost of service rate generation model. ~~However, it does not have the level of detail in models used by distributors to support their applications and is not intended to replace these models.~~ However, it does not contain the level of detail found in other cost of service models (e.g., Chapter 2 Appendices, RTSR Model, etc.) and is not intended to replace these models. It serves as a summary for checking the proposed revenue requirement and the rates necessary to recover the revenue requirement through the application process. If the RRWF cannot reflect a distributor’s proposed rates accurately, the distributor must file its own rate generator model.

Distributors should refer to the final RRWF reflecting the OEB's Decision and Rate Order in their last cost of service application for OEB-approved numbers to be used in various Appendices and schedules as required and discussed elsewhere in Chapter 2 (e.g., Appendices ~~2-AB, 2-JA, 2-JB~~, 2-JC).

The revenue requirement components in the application and the resulting revenue deficiency/sufficiency in this exhibit must correspond with the calculations in the RRWF. Distributors must ensure that numbers entered in the RRWF reconcile with the appropriate numbers in other exhibits.

The distributor must provide the following analyses for revenues:

- Calculation of bridge year forecast of revenues at existing rates.
- Calculation of test year forecast revenues at each of:
 - Existing rates.
 - Proposed rates.⁴¹

2.6.2 Taxes or Payments In Lieu of Taxes (PILs) and Property Taxes

Distributors must make use of the stand-alone principle when determining these amounts (see section 2.0.3). Distributors are expected to exercise sound tax planning and are expected, for rate-setting purposes, to maximize tax credits and take the maximum deductions allowed.

2.6.2.1 Income Taxes or PILs

The distributor must provide the following information:

- Detailed calculations of income tax or PILs, as applicable. These calculations must include a completed Excel version of the Income Tax/PILs ~~Workform model~~ available on the OEB's ~~EDR webpage~~ website, including derivation of adjustments (e.g., tax credits, CCA adjustments) for the historical, bridge and test years. Regulatory assets and liabilities must be excluded from taxes/PILs calculations when they were created and when they were disposed, regardless of the actual tax treatment accorded those amounts.
- Supporting schedules and calculations identifying reconciling items.
- Copies of the most recent Federal and Provincial tax returns. Non-utility tax items, if material, must be separated. This is to be done in the ~~Income Tax/PILs Workform model~~.

⁴¹ Test year revenues at existing rates and at proposed rates are carried forward and used in Exhibit 6 (Revenue Requirement and Revenue Sufficiency/Deficiency), Exhibit 8 (Rate Design) and in the RRWF.

- Financial statements included with tax returns, if different from the financial statements filed in support of the application (see section 2.1.98).
- A calculation of tax credits (e.g., Apprenticeship Training Tax Credits, education tax credits, Ontario Regional Opportunities Investment Tax Credits). A Scientific Research and Experimental Development return, if filed, may have confidential personal information (e.g., Social Insurance Number, address, hourly rate, etc.) of the people who are apprenticing; all such personal confidential information must be either removed or redacted from the filing, and the unredacted version need not be filed.
- Supporting schedules, calculations and explanations for “other additions” and “other deductions” for determining taxable income in the distributor’s Income Tax/PILs Workform model.
- Completion of the integrity checks in the Income Tax/PILs Workform model.

Accelerated CCA

On June 21, 2019, Bill C-97, the *Budget Implementation Act, 2019, No. 1*, was given Royal Assent. Included in Bill C-97 are various changes to the federal income tax regime. One of the changes introduced by Bill C-97 is the Accelerated Investment Incentive program (AIIP), which provides for a first-year increase in CCA deductions on eligible capital assets acquired after November 20, 2018.

~~As per the OEB’s July 25, 2019 letter, the OEB expects distributors to:~~⁴²

- ~~1. Confirm whether AIIP was applied to eligible capital additions in their tax filings. If a distributor committed to applying (or not applying) AIIP through the previous IRM term, it is expected to maintain that approach unless the OEB has approved otherwise.~~
- ~~2. Confirm whether a smoothing mechanism was applied to the PILs expense and approved in the last cost of service decision and order. If a smoothing adjustment was applied to the PILs expense approved in the last cost of service decision and order, the use of Account 1592 to record the specific CCA changes during the rate term contemplated in the smoothing proposal is no longer applicable.~~
- ~~4. Record the impacts of CCA rule changes in Account 1592 – PILs and Tax Variances – CCA Changes for the period November 21, 2018, until the effective date of the distributor’s next cost-based rate order.~~

⁴² ~~Accounting Direction Regarding Bill C-97 and Other Changes in Regulatory or Legislated Tax Rules for Capital Cost Allowance, July 25, 2019~~

~~2.3.~~ Record the full revenue requirement impact of any changes in CCA rules that are not reflected in base rates⁴³ in Account 1592 – PILs and Tax Variances – CCA Changes.

~~3.4.~~ Bring forward any amounts tracked in Account 1592 - PILs and Tax Variances – CCA Changes for review and disposition.⁴⁴ ~~in accordance with the OEB's filing requirements for the disposition of deferral and variance accounts, which would generally coincide with a distributor's next cost-based rate application.~~⁴⁵ Detailed calculations should be provided in Excel format.

~~The OEB also recognizes that there may be timing differences that could lead to volatility in tax deductions over the rate-setting term. Distributors may propose a mechanism to smooth the tax impacts over the five-year IRM term. The OEB will assess a distributor's smoothing proposal on a case-by-case basis. If the OEB approves the smoothing proposal, the distributor's use of (or access to) Account 1592, to record the impacts of the specific CCA changes contemplated in the smoothing proposal, will no longer be applicable. If PILs is not smoothed over the IRM term, Account 1592 would generally be expected to be used as the AIIP will be phased out starting in 2024. The specific treatment of this sub-account also depends on the PILs treatment from a distributor's last cost of service rate application. The AIIP was introduced as a temporary enhancement to CCA, with 2027 being the final year of eligibility.~~

If distributors elect to apply accelerated CCA to the PILs in the test year, distributors should propose a smoothing mechanism to reduce the test year's PILs expense given that the CCA rule will revert back to the half-year rule starting from 2028. In any instances where accelerated CCA is applied but no smoothing mechanism is proposed for the test year's PILs, the distributors must use Account 1592 sub-account CCA Changes to record the impact of the differing CCA rules (i.e., embedded in rates vs. used in the actual tax filings) from 2028 until the year before the next rebasing application.⁴⁶

2.6.2.2 Other Taxes

Taxes other than income taxes or PILs, as defined in the APH (e.g., property taxes), should only be included in Account 6105. Account 6105 is not an OM&A account and

⁴³ The OEB noted that these impacts should be recorded as of the effective date of the changes in CCA rules, which for the Bill C-97 changes is November 21, 2018.

⁴⁴ The OEB expected that distributors will combine the impacts associated with the 2018 stub period with future years when disposing of the CCA-related sub-account.

⁴⁶ The Federal Budget issued in November 2025 reinstates and extends the existing accelerated CCA measures. This section does not contemplate the impact of the Federal Budget. If the extension and reinstatement of the accelerated CCA measures are passed, further guidelines will be published.

should therefore be excluded from all OM&A totals. The distributor should provide an explanation of how these tax amounts are derived.

2.6.2.3 Non-recoverable and Disallowed Expenses

Where an expense incurred by a distributor is non-recoverable in the revenue requirement (e.g., certain charitable and political donations as discussed in section 2.4.3.⁶⁷ above) or is disallowed for regulatory purposes, such ~~a cost~~expenses should also be excluded from the regulatory tax calculation.

2.6.3 Other Revenue

The following information on each of the other distribution revenue accounts must be provided and Appendix 2-H – Other Revenue completed:

- Comparison of actual revenues for historical years to forecast revenue for bridge and test years, including explanations for significant variances in year-over-year comparisons.
- Revenue from any new proposed specific service charges, changes to rates, or new rules for applying existing specific service charges (including any credits to be provided to customers, e.g., for paperless billing). Note that the derivation of proposed charges should be discussed in section 2.8.5.
- Any revenue from affiliate transactions, shared services, or corporate cost allocations as described in section 2.4.3.2. For each affiliate transaction, identification of the service, the nature of the service provided to affiliated entities, accounts used to record the revenue, and the associated costs to provide the service (see Appendix 2-N for the required format).
- Accounts related to affiliate revenue and affiliate expense are shown in the footnote of Appendix 2-H.
- Revenue from affiliate transactions should be recorded in Account 4375, Revenues from Non Rate-Regulated Utility Operations.
- Expenses from affiliate transactions should be recorded in Account 4380, Expenses of Non Rate-Regulated Utility Operations.

A distributor should refer to Article 220 - Uniform System of Accounts and Article 340 - Allocation of Costs and Transfer Pricing of the APH⁴⁷ for more detailed accounting guidance.

⁴⁷ On August 11, 2025, the OEB launched a consultation and working group to support a comprehensive assessment of the OEB's Accounting Procedures Handbook (EB-2025-0214).

Appendix 2-H – Other Revenue indicates that each account must be broken down in more detail, showing the components of each account.

The balances recorded in Account 4375, Revenues from Non Rate-Regulated Utility Operations, and Account 4380, Expenses of Non Rate-Regulated Utility Operations, must reconcile to the balances recorded in Appendix 2-N – Shared Services and Corporate Cost Allocation for the three historical years, the bridge year and the test year. Any differences must be reconciled.

Any revenue related to microFIT charges must be recorded as a revenue offset in Account 4235 – Miscellaneous Service Revenue. ~~and not be included as part of the base distribution revenue requirement.~~

As outlined in section 2.4.3.2 – Shared Services and Corporate Cost Allocation, costs that are included in a distributor's OM&A must be excluded from the account balances incorporated into Appendix 2-H – Other Revenue (i.e., excluded as offsets to the revenue requirement) and vice versa. Costs that are included in a distributor's OM&A must also be excluded from Appendix 2-N – Shared Services and Corporate Cost Allocation.

The distributor must ensure that its transfer pricing and allocation of cost methods do not result in cross-subsidization between regulated and non-regulated lines of business, products or services.

The distributor must ensure compliance with Article 340 of the [APH](#) and provide explanations for any deviations if applicable.

Distributors must identify any discrete customer groups that may be materially impacted by changes to other rates and charges.

~~The distributor must ensure that r~~Revenues or costs (including interest) associated with deferral and variance accounts ~~must not be~~ are not included in other revenues. Interest costs associated with deferral and variance accounts are already captured for disposition to customers through the deferral and variance account balances in the DVA Continuity Schedule.

2.7 Exhibit 7: Cost Allocation

This exhibit includes information on cost allocation study requirements, class revenue requirements and revenue-to-cost ratios.

2.7.1 Cost Allocation Study Requirements

The OEB outlined its cost allocation policies in the OEB's reports of November 28, 2007 [Report of the Board on Application of Cost Allocation for Electricity Distributors](#)⁴⁸ and March 31, 2011 [Review of Electricity Distribution Cost Allocation Policy](#)⁴⁹ (the Cost Allocation Reports).

A completed cost allocation study using the OEB-approved methodology, or the distributor's study and model must be filed. This filing must reflect the forecast test year loads and costs and be supported by appropriate explanations and live Excel spreadsheets. The most current update of the model is available on the OEB's [EDR webpage](#)⁵⁰. Sheets 11 and 13 of the RRWF⁵⁰ must also be completed.

Distributors should refer to section 2.6.4 of the March 31, 2011 [Cost Allocation Report](#) concerning weighting factors for allocation of certain costs. Distributors are expected to develop their own weighting factors, and a description of the weighting factors is required. Worksheet I5.2 Weighting Factors includes a calculator for the billing and collecting weighting factor to assist distributors. Since this is used to derive an allocator, not to directly calculate the allocation of costs, this may be completed on a forecast basis. If the billing and collecting methodology used in a recent historical year is expected to continue into the test year, it may also be completed on a historical basis. As explained in the March 31, 2011 Report, if the distributor has chosen to use the default weighting factors, an explanation for this choice must be provided. A distributor can choose to use the same weightings from its previous Cost of Service application on the condition these were accepted by the OEB and there have been no significant changes in the distributor's policies or practices that would impact the weightings. If this approach is used, then the distributor must refer to the previous application.

~~A complete hard copy of the cost allocation model is not required, but t~~The distributor must file a complete live Excel ~~C~~cost ~~A~~allocation ~~M~~model, whether using the OEB-issued model or a different model, with the application. If using the OEB-issued model, Input sheet I.2, cells c15 and c17 must be used to identify the final run of the model on each sheet. If using another model, the distributor must file equivalent information.

⁴⁸ EB-2007-0667

⁴⁹ EB-2010-0219

⁵⁰ Sheet 11 is "Cost Allocation" and Sheet 13 is "Rate Design" These replace the former Appendix 2-P and 2-PA.

2.7.1.1 Load Profiles and Demand Allocators

~~The filing requirements were updated in 2017 to require that distributors make best efforts to update all classes' load profiles, or if class load profiles are unavailable, provide an explanation, and commit to putting plans in place to remedy this for the next time a Cost Allocation Model is filed. A full five-year cycle has been completed since these requirements went into effect. Distributors are now required to have updated load profiles across all classes and produce updated demand allocators.~~

~~Several distributors have used updated load profiles in determining their approved rates. The approaches to weather normalization have varied. While most have included a multivariate regression approach, the use of a historical average has also been approved. Some distributors have used a combination of regression and historical average.~~

Distributors must provide updated load profiles across all classes and produce updated demand allocators. These are typically prepared using a multivariate regression approach, a historical approach, or a combination of regression and historical average.

Regardless of the methodology chosen, a discussion of how the load profiles have been normalized for weather and any notable events impacting usage patterns should be included.

Multivariate Regression

If a multivariate regression model is used, the following must be provided:

- Statistics and statistical tests related to, the regression equation(s) coefficients and intercept (e.g., associated t- statistics; model statistics including R^2 , adjusted R^2 , F-statistic, Root-Mean- Squared-Error), results of tests for autocorrelation and multicollinearity.
- Explanation of the weather-normalization methodology including:
 - Relationship between demand and Heating and/or Cooling requirements.
 - Determination of normal weather: the hourly or daily Heating and/or Cooling required.
- Sources of data used for both the endogenous and exogenous variables. Where a variable has been constructed, a complete explanation of the variable, data used and source of the data must be provided.
- Explanation of any specific adjustments made (e.g., to address gaps in the historical meter data, significant re-classifications of customers, etc.).

Data and regression model and statistics used in the weather normalization of load profiles must be provided in working Excel format. This would include showing the derivation of any constructed variables.

Demand Allocators

The distributor must provide a spreadsheet and a description with calculations to show how demand allocators are derived from the historical weather-normal or weather-actual load profiles.

Historical Average

The demand allocators to be used in cost allocation may be calculated using a historical average.

For each historical year used, demand allocators for that year should be produced from load profiles. The annual demand allocators should then be averaged to produce the demand allocators to be used in cost allocation.

Where the annual demand allocators are based on weather-actual load profiles, at least three, and ideally five years of historical data should be used to perform weather normalization. Where the annual demand allocators are based on weather-normalized load profiles, fewer years may be used.

2.7.1.2 Specific Customer Class(es)

The following sections provide policy guidance on cost allocation matters for specific customer classes.

~~*Large General Service and Large Use Classes*~~

~~As a reminder, the treatment of the Transformer Ownership Allowance has been revised in the current version of the cost allocation model, as compared to the version that the distributor may have used in a previous rebasing application.~~

Embedded Distributor Class

Any distributor that is the host to one or more distributors must provide the following information, as applicable:

- Evidence that the host distributor has consulted with its embedded distributor(s) prior to preparing its ~~C~~cost ~~A~~allocation ~~M~~model and filing its rate application, and a statement as to whether the embedded distributor(s) support(s) the host distributor's approach to the allocation of costs to the embedded distributor(s). If the host distributor has a separate rate class for its embedded distributor(s), the host distributor must include the class as such in its cost allocation study and in the RRWF.

- If the host distributor proposes to establish a new embedded distributor class, the host distributor must include that class in its cost allocation study and in the RRWF and provide rationale and supporting evidence for the establishment of an Embedded Distributor class, as applicable. The host distributor must provide the costs of serving the embedded distributor(s), load served, information regarding ownership of relevant assets involved in the connection(s), whether assets are dedicated to the embedded distributor(s) or shared to serve other customers, and the distribution charges levied.
- If the host distributor proposes to bill the embedded distributor(s) as if it/they were General Service Class customers, the costs and revenue must be included with that class in the cost allocation study and the RRWF. In this case, the host distributor must also complete Appendix 2-Q – Cost of Serving Embedded Distributors, which shows details on how much of the host’s facilities are required to serve the embedded distributor(s), irrespective of the fact that they are not treated as a distinct rate class elsewhere. The host must provide the cost of serving the embedded distributor(s), load served, information regarding ownership of relevant assets involved in the connection(s), and the distribution charges levied. Additionally, the host distributor must provide evidence supporting the continued appropriateness of the rates for the general service class for recovering the costs of providing low voltage distribution services to the embedded distributor(s).

Unmetered Loads (Including Street Lighting)

For allocation of costs related to unmetered loads, distributors should refer to the OEB’s [Report of the Board on Review of the Board’s Cost Allocation Policy for Unmetered Loads](#), which amended section 2.4.6 of the [Distribution System Code \(DSC\)](#), and the OEB’s [letter of June 12, 2015](#), which ~~introduced a~~ ~~outlined a new~~ cost allocation policy for the street lighting rate class. ~~Distributors are reminded to consult with unmetered loads for any material changes to their cost allocation. A new “street lighting adjustment factor” will be used to allocate costs to the street lighting rate class for primary and line-transformer assets. The “street lighting adjustment factor” replaces the “number of connections” allocator. The cost allocation model has been updated to reflect the street lighting adjustment factor.~~

MicroFIT class

The OEB did not expect a distributor to include microFIT as a separate class in the ~~C~~cost ~~A~~allocation ~~M~~model beginning in 2017. The OEB established a generic rate which could be adopted. The OEB reviews this generic rate annually and communicates this

rate via a letter. If a distributor believes that it has unique circumstances which would justify a different rate it must file appropriate documentation to support such a rate.

Standby Rates

A standby rate is charged by a distributor to a customer with load displacement facilities behind its meter to compensate the distributor for the cost of maintaining the ability to accommodate the total load of the customer at any time. The charge must not inadvertently subsidize other customers or unduly burden the load displacement customer.

Standby rates have been approved on an interim basis since 2006 for some distributors. Distributors with interim standby rates are expected to request approval for final standby rates and provide evidence confirming that they have advised all affected customers of the proposal.

A distributor that seeks to establish new standby rates or seeks changes to its standby charges, including a change in the methodology on which these rates are based, must provide full documentation supporting the proposal, and confirm that all affected customers have been notified of the proposed change(s). The OEB most recently updated its expectations for sStandby rRates in March, 2024.⁵¹

2.7.1.3 New Customer Class(es)

If the distributor is establishing a new customer class or changing the definition(s) of existing customer classes, the rationale for doing so is required. Information provided in the distributor's previous cost of service application concerning class revenue requirements must be restated in the RRWF on the basis of the proposed customer classes to provide continuity with the proposed customer classes in the current application.

2.7.1.4 Eliminated Customer Class(es)

If the distributor is proposing to eliminate or combine existing customer classes, the distributor must identify such proposals and the supporting rationale. To provide continuity of information, the distributor must restate information from its previous cost of service application concerning class revenue requirements in the RRWF on the basis of the proposed customer classes, where possible.

⁵¹ The OEB issued a [letter](#) on March 28, 2024 concluding a consultation on Standby Rates.

2.7.2 Class Revenue Requirements

The RRWF shows the format for filing cost allocation information in Sheet 11: Cost Allocation and includes four tables. The first table is the format for showing the test year class revenue requirements, which are produced in output sheet O-1 of the OEB model. This table also includes a comparison to the most recent study previously filed with the OEB.

Rate rebalancing is the process of adjusting rates for different customer rate classes to ensure that the revenues collected from each class reasonably reflect the costs to serve customers in each class while ensuring the distributor recovers its overall revenue requirement. To support a proposal to rebalance rates, the distributor must provide information on the revenue by class that would apply if all rates were changed by a uniform percentage. These ratios must be compared with the ratios that will result from the rates being proposed by the distributor.

The second table shows three revenue scenarios by rate class. Each scenario is based on the forecast of class billing quantities. The scenarios are, respectively, the forecast quantities multiplied by: a) existing rates; b) prorated existing rates that would yield the test year base revenue requirement; and c) proposed class revenues. The table also shows the allocation of miscellaneous revenue to the rate classes, which is an output from the Co~~s~~t Allo~~ca~~ti~~o~~n Mo~~de~~l.~~~~~~~~

2.7.3 Revenue-to-Cost Ratios

The OEB has established ranges for revenue-to-cost ratios. The range of acceptable ratios can be found in section 2.9.4 of the March 31, 2011 [Cost Allocation Report](#).

As per the OEB's [letter of June 12, 2015](#), the OEB has narrowed the revenue-to-cost ratio policy range for the street lighting rate class from 70-120% to 80-120% consistent with views expressed in the December 19, 2013 [Report of the Board on Review of the Board's Cost Allocation Policy for Unmetered Loads](#).

The third table on sheet 11 of the RRWF combines information from the previous two tables in the form of revenue-to-cost ratios and includes the following information for each class:

- The previously approved ratios most recently implemented by the distributor.
- The ratios that would result from the most recent approved distribution rates and the distributor's forecast of billing quantities in the test year, prorated upwards or downwards (as applicable) to match the revenue requirement, and expressed as

ratios with the class revenue requirements derived in the updated Ccost Aallocation Mmodel.

- The ratios that are proposed for the test year.

Results flowing from the updated Ccost Aallocation Mmodel may show some ratios being outside of the OEB-approved ranges. In these cases, distributors must ensure that their cost allocation proposals include adjustments to bring them within the OEB-approved ranges within a reasonable period of time. Moving revenues closer to costs in one class also means that there will be offsetting adjustments to one or more classes. In making any such adjustments, distributors should address potential mitigation measures if the impact of the adjustments on the rates of any particular class or classes is significant. Distributors are also reminded of the OEB's policy that revenue-to-cost ratios should not be moved away from unity;⁵² this may not always be possible when making adjustments overall, but distributors should explain their proposed adjustments and attempt to minimize variances from the OEB's policy.

If the distributor proposes to continue rebalancing rates after the cost of service test year, the ratios proposed for subsequent year(s) must be provided. The fourth table provides a format for presentation of such information. If the proposed ratios are outside the OEB's policy range in the test year, the distributor must show the proposed ratios in subsequent years that would move the ratios to within the policy range.

If using a cost allocation model other than the OEB model, the distributor must ensure that costs exclude LV costs and deferral and variance account balances and that revenues exclude rate riders, rate adders and the sSmart mMetering eEntity Charge. The distributor must also ensure that information relevant to customer charge unit costs, microFIT unit costs and revenue is consistent with the output from the OEB's model.

2.8 Exhibit 8: Rate Design

Please note that monthly fixed charges must be shown to two decimal places while variable charges must be shown to four places. Distributors wishing to depart from this approach must provide a full explanation as to why they believe it is necessary and appropriate.

2.8.1 Fixed/Variable Proportion

The distributor must provide the following information related to the fixed/variable proportion of its proposed rates:

⁵² [EB-2007-0667](#), *Report of the Board: Application of Cost Allocation for Electricity Distributors*, pp. 6-7

- Current fixed/variable proportion for each rate class, along with supporting information.
- Proposed fixed/variable proportion for each rate class, including an explanation for any changes from current proportions.
- A table comparing current and proposed monthly fixed charges with the floor and ceiling as calculated in the cost allocation study.

Calculations of fixed/variable proportions should use the billing determinants from the proposed load forecast as the basis of the calculation, unless a different billing determinant is used, e.g., for streetlighting, sentinel lights of unmetered scattered load.

If a distributor's current fixed charge for any non-residential class is higher than the calculated ceiling, there is no requirement to lower the fixed charge to the ceiling, nor are distributors expected to raise the fixed charge further above the ceiling for any non-residential class.

The fixed/variable analysis must be net of rate adders, funding adders and rate riders (e.g., LV, smart meter rate riders, DVA disposition).

2.8.2 Retail Transmission Service Rates (RTSRs)

In preparing its application, the distributor must reference the OEB's Guideline: Electricity Distribution Retail Transmission Service Rates and Low Voltage Charges, issued on March 31, 2025, ~~Guideline G-2008-0001: Electricity Distribution Retail Transmission Service Rates, issued on June 28, 2012,~~ as well as subsequent updates to the UTRs and any host distributor's rates. A completed version of the RTSR model must be filed in Excel format.

The OEB implemented an Electric Vehicle Charging (EVC) Rate applicable to certain Electric Vehicle (EV) charging facilities. The EVC Rate reduces the RTSR charges applied to these facilities to reflect their lower contribution to transmission costs.

EV charging is presented as a separate rate for each general service rate class from 50 to 4,999 kW. Distributors will need to identify the quantity of load (energy and demand) used by these facilities. The EV charging volume should only be counted in the rows pertaining to EV charging and not be included in the volume for the remainder of the applicable rate class.

The OEB now encourages distributors to propose updated RTSRs underpinned by updated cost causation data in rebasing proceedings. This should reflect each rate class's contribution to the sum of the 12 coincident peaks for the distributor. A source of this information would be the updated class load profiles, which are expected to be used

in preparing cost allocation evidence as part of cost-of-service filings. In doing so, distributors should ensure that RTSRs are designed to achieve full recovery of the underlying costs, and that the EVC Rate is implemented.

Distributors proposing to update their RTSRs to reflect updated cost causation data will need to provide their own tables, as the OEB's model is based on the distributor's existing allocation of its transmission-related expenses among its customer classes.

The distributor must ensure that the information provided in this section is consistent with that provided in the working capital allowance calculation per section 2.2.45, as it relates to rates such as RTSRs, or provide explanations for any differences.

2.8.3 Retail Service Charges

Retail services refer to services provided by a distributor to energy retailers or customers related to the competitive supply of electricity as set out in the Retail Settlement Code. Distributors should note that the current retail service rates and charges were established on a generic basis. Distributors should refer to the most recent rate order for the current approved rates.

On November 29, 2018, the OEB issued its [Report of the Ontario Energy Board: Energy Retailer Service Charges](#), which sets out the OEB's conclusions following the review of energy retailer service charges. The final charges and accounting guidance were set out in a Decision and Order, to be effective May 1, 2019.⁵³

2.8.4 Regulatory Charges

The Wholesale Market Service (WMS) rate is designed to allow distributors to recover costs charged by the IESO for the operation of the IESO-administered markets and the operation of the IESO-controlled grid.

The WMS rate is an energy-based rate (per kWh) applicable to those customers of a distributor who are not wholesale market participants. An embedded distributor who is not a wholesale market participant would be treated as a customer to the host distributor and would be charged the WMS rate.

The Rural or Remote Electricity Rate Protection (RRRP) program is designed to reduce costs for eligible customers located in certain rural or remote areas where the cost of distributing electricity is higher.

⁵³ [EB-2015-0304, Decision and Order, February 14, 2019](#)

The Standard Supply Service Charge is set by the OEB as an administrative fee payable by customers who purchase electricity directly from their distributor.

These rates are set by the OEB on a generic (i.e., province-wide) basis. Distributors should refer to the most recent rate order for the current approved rate. Distributors wishing to apply for a rate other than the generic rate set by the OEB must provide justification as to why their specific circumstances would warrant a different rate, in addition to a detailed derivation of their proposed rate.

2.8.5 Specific Service Charges

Distributors requesting either a new specific service charge or a change to the level of an existing charge should describe the purpose of such charges, or the reason for the proposed change to an existing charge and provide calculations supporting the determination of each new or revised charge. Distributors must separately identify in the Application Summary all proposed changes in the application that will have an impact on customers, including any changes to other rates and charges that may affect discrete customer groups. Distributors must also identify the specific customers or customer groups that will be impacted by each such proposal.

The calculation of the charges must include the following elements:

- Direct labour (internal and/or external)
- Labour rate (internal and/or external)
- Burden rate
- Incidental (e.g., postage for mail)
- Other (e.g., ~~y~~Vehicle time and rate)

Distributors must also identify any rates and charges that are included in their Conditions of Service but do not appear on the OEB-approved tariff sheet and provide an explanation for the nature of the costs being recovered. A schedule outlining the revenues or capital contributions recovered from these rates and charges from the last OEB-approved year (both what was approved and the actual for that year) to the most recent actuals and the revenue or capital contributions forecast for the bridge and test years must also be provided, as well as a proposal and explanation as to whether these rates and charges should be included on the distributor's tariff sheet.

Distributors must ensure that the revenue from the total of the proposed specific service charges corresponds with the evidence under ~~O~~therperating Revenues (see section 2.6.3).

Wireline Pole Attachment Charge

The *Building Broadband Faster Act, 2021*, S.O. c.2 Sched. 1, came into force on April 12, 2021 and resulted in the addition of a new Part VI.1 to the OEB Act.⁵⁴ The *Building Broadband Faster Act* and the amendments to the OEB Act provide for regulations concerning the development and the use of access to electricity distribution and transmission infrastructure for prescribed purposes.

On December 10, 2021, a regulation was enacted under the OEB Act and came into force on January 1, 2022 (Regulation).⁵⁵

The Regulation required the OEB to establish a generic, province-wide pole attachment charge for 2022. It also required the OEB to not make any adjustments for inflation to this charge for 2021 or 2022. The Regulation further required the OEB to set the charge for 2023 and subsequent years by adjusting the prior year's charge for inflation in accordance with the inflation adjustment mechanism described in the *Report of the Ontario Energy Board: Wireline Pole Attachment Charges*⁵⁶ (that is, based on the OEB-approved inflation factor). As a result, calculating the pole attachment charge each year will be a mechanistic exercise. The Regulation prescribes that the annual pole attachment charge will be established by order without a hearing. A distributor is required to update the charge as per that order.

2.8.6 Low Voltage Service Rates (where applicable)

If the distributor is (fully or partially) embedded, the distributor must provide the following information:

- Forecast of LV costs, which is the sum of the host distributors' charges to the distributor.
- Actual LV costs for the last three historical years, along with bridge and test year forecasts. The distributor must also provide the year-over-year variances and explanations for substantive changes in the costs over time, up to and including the test year forecast.
- Support for the forecast of LV costs: forecast volumes and actual or forecast host distributor(s) LV rates. For example, a distributor whose host distributor is Hydro One [Networks Inc.](#) would include the distributor's costs for sub-transmission lines, plus a sub-transmission service charge, plus any other charges, such as facility charges for connection to a shared distribution station, that apply to the embedded distributor's monthly bill from the host distributor, together with the applicable charge determinants.

⁵⁴ Effective, April 12, 2021

⁵⁵ Ontario Regulation 842/21: Electricity Infrastructure (Part VI.1 of the Act)

⁵⁶ EB-2015-0304 - Report of the OEB – Wireline Pole Attachment Charges, March 22, 2018

- Allocation of forecast LV costs to customer classes (generally in proportion to transmission connection rate revenues).
- Proposed LV rates by customer class to recover these costs.

A worksheet for calculating the LV charges is provided in the ~~RTSR Model Revenue Requirement Work Form~~. This form is intended to capture the required information and perform the calculation of LV rates. The calculation of forecast LV costs is left open for distributors to propose a suitable approach consistent with the above requirements.

Distributors should note that LV rates are determined by dividing forecast costs by forecast billing determinants for the test year. This is different from RTSRs which determine rates using historical purchases and sales.

2.8.7 Smart Metering Entity Charge

A distributor shall charge the current OEB-approved ~~Smart Metering Entity Charge (SMC)~~ until the OEB approves any updated ~~charge SMC~~.

On September 8, 2022, the OEB approved a ~~Smart Metering Entity Charge SMC~~ of \$0.42 per meter per month from January 1, 2023 to December 31, 2027 and finalized the rates approved on an interim basis.

2.8.8 Loss Adjustment Factors

The distributor must document the proposed Supply Facilities Loss Factor (SFLF), distribution and total loss factors for the test year.

The distributor must file the following information related to its proposed loss factors:

- A statement as to whether the distributor is embedded, including whether it is fully or partially embedded.
- Details of loss studies and recommendations, if required by a previous OEB decision.
- Calculations showing the losses in previous years. A minimum of three years of historical data is required, although five years of historical data is preferred.
- A completed Appendix 2-R – Loss Factors showing the energy delivered to the distributor with and without losses.⁵⁷
- If the proposed distribution loss factor is greater than 5% or is showing an increasing trend, an explanation for the level of the loss factor or increasing

⁵⁷ Distributors are reminded to include distribution-connected generation (e.g., microFIT) when populating Tab 2-R

trend, details of actions taken to reduce losses in the previous five years, and actions planned to reduce losses going forward.

- Explanation of the derivation of the SFLF, including reasons for any differences from the standard SFLFs referenced in Appendix 2-R, Row H.
- Reconciliation between the application and the Electricity Reporting and Record-keeping Requirement (RRR) filing.

2.8.9 Tariff of Rates and Charges

The distributor must provide the current and proposed tariff of rates and charges.

Distributors must ensure that each proposed change is explained and supported in the appropriate section of the application. Distributors must file [the Tariff Schedule and](#) Bill Impacts model. The tariff sheets, which are produced by the Tariff Schedule and ~~the~~ Bill Impacts model in a separate file, must be filed in ~~e~~Excel and PDF format.

The distributor must provide an explanation of changes to terms and conditions of service and the rationale behind those changes, if the changes affect the application of the rates and charges on the Tariff of Rates and Charges to be approved by the OEB. Proposed tariffs must include the applicable regulatory charges (i.e., WMS, Rural or Remote Electricity Rate Protection, and Standard Supply Service Administration charge), and any other generic rates such as the current [Smart Metering Entity Charge](#)~~SMG~~, as ordered by the OEB.

2.8.10 Revenue Reconciliation

With the proposed Tariff of Rates and Charges, the following information must be provided:

- Detailed calculations of revenue per customer class under current rates and proposed rates.
- Detailed reconciliation of customer class revenue and other revenue to total revenue requirement (i.e., breakout volumes, rates and revenues by rate component, etc.).

A table that reconciles the base revenue requirement against the revenues recovered through the proposed rates must be provided in Sheet 13 of the RRWF. The purpose of the revenue reconciliation is to check that the test year demand and the proposed rates recover the base revenue requirement to serve the forecast customers and demand/consumption, subject to rounding.

2.8.11 Bill Impact Information

~~This Bill impact~~ information must be filed for all customer classes on a representative sample of end-users in the Tariff Schedule and Bill Impacts model, which identifies existing rates and proposed changes to rates and calculates detailed bill impacts (including % change in distribution excluding pass-through costs (e.g., DVAs) – “Sub-Total A”, % change in distribution – “Sub-Total B”, % change in delivery – “Sub- Total C”, and % change in total bill).

~~The distributor must provide the impact of changes resulting from the as-filed application on a representative sample of end-users (i.e., volume, percentage rate change and revenue).~~ The distributor must include the base distribution rates, any applicable rate adders or rate riders, and RTSRs. Commodity rates and regulatory charges should be held constant between the existing rates and the proposed rates.

Rates and charges input into the Tariff Schedule and Bill Impacts model should be rounded to the decimal places as shown on the existing and proposed Tariff of Rates and Charges.

On April 14, 2016, the OEB issued the report titled [Defining Ontario's Typical Electricity Customer](#) in which it determined that the typical residential consumption that will be used for illustrative purposes should now be 750 kWh per month.

Bill impacts must be provided for a residential customer consuming 750 kWh per month, and a general service customer consuming 2,000 kWh per month and having a monthly demand of less than 50 kW. In addition, distributors must provide bill impacts for a range of consumption levels that are relevant to their service territory for each customer class. ~~A general guideline of consumption levels is provided in the Tariff Schedule and Bill Impacts model.~~

For certain classes where one or more customers have unique consumption and demand patterns and which may be significantly impacted by the proposed rate changes, the distributor must show a typical impact for such customer(s) and provide an explanation.

2.8.12 Rate Mitigation

A distributor is expected to review bill impacts to determine if measures should be implemented to smooth impacts resulting from the application.

A distributor must file a mitigation plan if total bill increases for any customer class exceed 10%. The mitigation plan must include the following information:

- Identify all customer classes or groups of customers that would experience increases in excess of 10% and the magnitude of these increases.
- A detailed description of any mitigation measures undertaken (e.g., reductions to the revenue requirement, inter-class shifts, or longer disposition periods for deferral and variance account balances).
- A justification for all mitigation measures proposed, including reasons if no mitigation is proposed.
- Any other information the distributor believes is relevant to its mitigation proposal.

The distributor must ensure that the populated Tariff Schedule and Bill Impacts model reflects any mitigation plan proposed in the application.

2.8.13 Rate Harmonization Mitigation Issues

Distributors that have been part of a MAADs transaction and that have not yet had a rate harmonization plan approved by the OEB for their distribution service areas must file a rate harmonization plan. The plan must include a detailed explanation and justification for the implementation plan, and an impact analysis. If a consolidated distributor does not intend to undertake rate harmonization, an explanation for not doing so must be provided.

If the combined impact of the cost of service-based rate increases and harmonization effects result in total bill increases for any customer class exceeding 10%, the distributor must include a discussion of proposed measures to mitigate any such increases in its mitigation plan or provide justification in its plan as to why mitigation is not required.

A migration plan that includes fully harmonizing rates that is to be accomplished over more than one year must be supported by a detailed plan for accomplishing this during the subsequent Price Cap IR period.

2.9 Exhibit 9: Deferral and Variance Accounts

The information outlined below is required, regardless of whether the distributor is seeking disposition of any or all DVAs in the current application:

- Provide a summary table of all active DVAs showing the following for each account:
 - principal balance, interest or carrying charges, and total balance.
 - whether the account is being proposed for disposition.
 - For Group 2 DVAs, whether the account is proposed to be continued or discontinued.

- In a separate section under the summary table, for any account identified in the summary table as not being proposed for disposition, provide an explanation why it is not proposed for disposition.
- In a separate section under the summary table, for any Group 2 accounts identified in the summary table that are proposed to be discontinued, provide an explanation for these proposals.
- If applicable, the distributor must provide a brief description of any account that the distributor may have used differently than as described in the [APH](#),⁵⁸ the relevant accounting order or another OEB document.
- A continuity schedule for the period from the last disposition to the present, showing separate itemization of opening balances, annual adjustments, transactions, dispositions, interest and closing balances for all active DVAs. A completed version of the DVA Continuity Schedule, must be filed in live Excel format.
 - The opening principal amounts as well as the opening interest amounts for Group 1 and 2 balances, shown in the DVA Continuity Schedule, must reconcile with the last applicable⁵⁹ approved closing balances.
- Explanation if the account balances in the continuity schedule differ from the account balances in the trial balance reported through the Electricity RRR and documented in the distributor's audited financial statements. This should be included in the tab Appendix A of the DVA Continuity Schedule.
 - This includes all Account 1508 sub-accounts. A reconciliation of all the Account 1508 sub-accounts to the Account 1508 control account reported in the Electricity RRR is to be provided in the DVA ~~C~~continuity ~~S~~schedule.
- A statement as to whether the distributor has made any adjustments to DVA balances that were previously approved by the OEB on a final basis. The OEB expects that no adjustments are made to any DVA balances previously approved by the OEB on a final basis. If any adjustments have been made, the distributor must provide explanations for the nature and the amount of the adjustment(s), and include appropriate supporting documentation, under a section titled "Adjustments to Deferral and Variance Accounts".⁶⁰
- Interest rates applied to calculate the carrying charges for each regulatory DVA. The distributor must confirm that it has used the rates established by the OEB by

⁵⁸ [On August 11, 2025, the OEB launched a consultation and working group to support a comprehensive assessment of the OEB's Accounting Procedures Handbook \(EB-2025-0214\).](#)

⁵⁹ The last approved closing balances for Group 1 and Group, 2 accounts may be for different year-ends. Also, if Group 1 balances were last approved on an interim basis and adjustments have been made to the approved balances, a distributor needs to complete the continuity schedule starting from the last balances approved on a final basis.

⁶⁰ Distributors should refer to the OEB's [letter](#), issued October 31, 2019, regarding adjustments to correct for errors in electricity distributor "Pass-Through" variance accounts after disposition.

month or by quarter for each year. The rates that should be used are provided on the OEB's website. The most recently posted interest rate should be used as a placeholder for any future periods.

- As noted in the Cost of Capital Decision, any proposal for a different carrying charge on a DVA involving long-term expenditures must include evidence to justify the departure from standard practice, as the revenue requirement for the expenditure is based on the return on the investment (debt and equity) using the WACC. The interest rate of the WACC should not apply on the amount in the DVA that was already calculated using the WACC.⁶¹

2.9.1 Disposition of Deferral and Variance Accounts

The distributor must:

- Refer to the DVA Continuity Schedule Instructions, which is will be made available as a separate pdf document of a Microsoft Word document on the OEB's EDR webpage~~website~~, for instructions on completing the DVA Continuity Schedule, annual updates to the DVA Continuity Schedule, and discussions on default treatments and expectations for DVAs (e.g., balance allocation, disposition periods, rate rider calculations).
- Provide confirmation that a distributor is allocating DVAs using an approved allocator. If a distributor is proposing to allocate a DVA for which the OEB has not established an approved allocator, the distributor must propose an allocator based on the cost driver(s), with justification.
 - Indicate the proposed billing determinants, including a charge type (fixed or variable) for recovery purposes, and include this in the continuity schedule.
- Propose rate riders that dispose of the balances. The default disposition period is one year; if the distributor is proposing an alternative recovery period, an explanation must be provided.
- Provide support (e.g., explanations, calculations) on how each material Group 2 balance is determined.
 - For distributor~~utility~~-specific Group 2 accounts that are not material, provide a brief explanation of the account balance ~~and the relevant accounting order~~.

2.9.1.1 Disposition of Accounts 1588 and 1589

On February 21, 2019, the OEB issued a letter titled Accounting Guidance related to Accounts 1588 Power, and 1589 RSVA Global Adjustment as well as the related

⁶¹ EB-2024-0063, Decision on Cost of Capital and Other Matters, p 96

accounting guidance ([Accounting Guidance](#)).⁶² This Accounting Guidance is effective January 1, 2019 and was to be implemented by August 31, 2019. The OEB expects that all transactions recorded to these accounts during 2019 and each year thereafter, will have been accounted for in accordance with this guidance. If a distributor has not implemented the Accounting Guidance, it must indicate this. A distributor should indicate the year in which Account 1588 and Account 1589 balances were last approved for disposition, and whether the balances were approved on an interim or final basis. If the balances were last disposed on an interim basis, distributors should indicate the year in which balances were last disposed on a final basis.

~~Final Disposition Requests after Implementation of Accounting Guidance~~

~~A distributor that is requesting final disposition of balances for the first time following implementation of the Accounting Guidance must confirm that it has fully implemented the Accounting Guidance effective from January 1, 2019.~~

~~Distributors are also expected to consider this Accounting Guidance in the context of pre-2019 balances that have yet to be disposed on a final basis. To request final disposition of these balances as part of an application, distributors must confirm that these historical balances have been considered in the context of the Accounting Guidance and provide a summary of the review performed. Distributors must also discuss the results of the review, whether any systemic issues were noted, and whether any material adjustments to those balances have been recorded. A summary and description of each adjustment made to the balances must be provided in the application.~~

~~On April 28, 2025, the OEB issued an Accounting Guidance document for the commodity accounts to reflect changes relating to the Market Renewal Program (MRP) undertaken by the IESO. This Accounting Guidance takes effect on May 1, 2025 and should be applied on a go-forward basis.~~

~~The OEB expects that all transactions recorded in Accounts 1588 and 1589 are accounted for in accordance with the respective year's Accounting Guidance. For example, the distributor must use the accounting procedures documented in the Accounting Guidance for Ultra Low Overnight Option (ULO)⁶³ for the 2024 transactions in the commodity variance accounts 1588 and 1589. For transactions on or after May 1,~~

⁶² *Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589*, February 21, 2019.

⁶³ *Accounting Procedures Handbook Update, June 2024 version*

2025, distributors must use the accounting procedures documented in the Accounting Guidance for MRP.⁶⁴

Commodity Accounts Analysis Workform (Formerly “GA Analysis Workform”)

All distributors are required to complete and submit the Commodity Accounts Analysis Workform for each year that has not previously been approved by the OEB for disposition~~-,~~ irrespective of whether they are seeking disposition of the Account 1588 and Account 1589 balances as part of their application.

If the distributor is adjusting the Account 1588 and Account 1589 balance that was previously approved on an interim basis, the Commodity Accounts Analysis Workform must be completed from the year after the distributor last received final disposition for Account 1588 and Account 1589. If the distributor is proposing any adjustments to the final disposed balances of Account 1588 and Account 1589, the distributor is required to complete the workform from the year(s) that contain(s) the error(s) and the associated adjustment(s) to the year that the balance is being requested.

The Commodity Accounts Analysis Workform helps the OEB assess if the annual variances that ~~is-are~~ recorded in Account 1588 and Account 1589 ~~is-are~~ reasonable. The Commodity Accounts Analysis Workform compares the actual general ledger transactions recorded during the year to an expected principal balance that is calculated based on monthly GA volumes, revenues and costs.

Any unexplained discrepancy between the actual and expected balance that is greater than +/- 1% of the total annual IESO GA charges ~~will be~~is considered material and warrants further investigationanalysis and supporting evidence. To further support ~~a-the~~ conclusion that GA charges have been appropriately allocated between customer classes, distributors must also perform a reasonability test for ~~the balance in~~ Account 1588. The reasonability test is included in the Commodity Accounts Analysis Workform.

The Commodity Accounts Analysis Workform is available on the OEB's EDR webpage-website and is to be filed in Excel format. Distributors should refer to the Commodity Accounts Analysis Workform Instructions, which will be made available as a separate document on the OEB's EDR webpage, for detailed instructions on how to complete the wWorkform, as well as any new changes to the wWorkform.

Two-year Limitation Period

⁶⁴ Accounting Procedures Handbook Update, April 2025 version

On July 1, 2023, a Limitation Periods Regulation (O. Reg. 153/23) was made under the Electricity Act. The regulation specifies the types of settlements that are subject to a two-year limitation period.

Section 36.1.1 of the Act establishes a two-year limitation period for certain IESO settlements made by the distributors. The limitation period only applies to settlements that have been prescribed by regulation. Under subsection (7) of section 36.1.1 of the Act, the OEB may require the resettlement of matters falling outside the two-year limitation period. More specifically, subsection 36.1.1(7) provides for an exception from the limitation period for a payment or adjustment that results from a decision or order of the OEB in respect of a variance account.

If a distributor is seeking OEB approval of an exception from the limitation period for a payment or adjustment, the distributor shall provide detailed justification for seeking approval of the exception in its application. The applicant should explain the actions taken to resolve the issue to avoid the need for an exception to the limitation period, and why the applicant was not successful in its efforts to resolve the issue.

The application should have regard to the OEB's October 31, 2019 letter related to retroactive adjustments in the event such adjustments require retroactive accounting adjustments for any year in which the related Account 1588 and 1589 balances were disposed of on a final basis. The 2019 letter identified four factors to consider:

1. whether the error was within the control of the distributor
2. the frequency with which the distributor has made the same error
3. failure to follow guidance provided by the OEB
4. the degree to which other distributors are making similar errors

Furthermore, a distributor seeking such settlement adjustments should record the accounting adjustments in the continuity schedule of the related commodity variance accounts to eliminate the impacts from the IESO settlement adjustments and include these accounting adjustments in the Commodity Accounts Analysis Workform for the purpose of reasonability tests in Accounts 1588 and 1589. Distributors should refer to the Commodity Accounts Analysis Workform Instructions for further guidance.

2.9.1.2 Disposition of Account 1580, Sub-account CBR Class B Variance

Distributors must propose disposition of Account 1580 sub-account CBR Class B in accordance with the [Capacity Based Recovery \(CBR\) Accounting Guidance](#). The

balance in sub-account CBR Class B must be disposed over the default period of one year.

For the disposition of Account 1580, sub-account CBR Class A, distributors must follow the OEB's CBR accounting guidance, which results in balances disposed outside of a rate proceeding.

Refer to the DVA Continuity Schedule Instructions, which will be madeis available as a separate Microsoft Word document on the OEB's EDR webpagewebsite, for instructions and further details on the treatment of CBR related sub-accounts.

2.9.1.3 Disposition of Account 1595

When approval for disposition of DVA balances is received from the OEB, the approved amounts of principal and carrying charges are transferred to Account 1595 for that rate year.

Distributors are expected to request disposition of residual balances in Account 1595 Sub-accounts for each vintage year once and on a final basis. Distributors become eligible to seek disposition of these residual balances two years after the expiry of the rate rider. During the two years after the expiry of the rate rider, distributors may still make billing corrections as per the Retail Settlement Code and should record the related transactions in the associated Account 1595 sub-account. The eligibility criteria for disposition of Account 1595 sub-accounts depends on the distributor's rate year. For example:

- January 1 rate year – If 2022-2023 rate riders expire on December 31, 20222023, the balance of sub-account 1595 (20222023) is eligible to be disposed after the account balance as at December 31, 2024-2025 has been audited. Therefore, sub-account 1595 (20222023) would be eligible for disposition in the 2026-2027 rate year.
- May 1 rate year – If 2022-2023 rate riders expire on April 30, 20232024, the balance of sub-account 1595 (20222023) is eligible to be disposed after the account balance as at December 31, 2025-2026 has been audited. Therefore, sub-account 1595 (20222023) would be eligible for disposition in the 2026-2028 rate year.

No further transactions are expected to be recorded in the Account 1595 sub-account once the residual balance in the sub-account has been disposed of. Generally, after the rate riders associated with balances transferred to an Account 1595 sub-account have expired, the residual balance is expected to be relatively small, represented by the

difference between the forecast billing determinants upon which the riders were derived and the actual billing determinants over that period.⁶⁵ If there are material residual balances being proposed for disposition, distributors are expected to provide a detailed explanation, including quantifying any significant drivers of the residual balance.

2.9.1.4 Disposition of Retail Service Charges Related Accounts

~~If the distributor has a balance in Account 1518 RCVA Retail, Account 1548 RCVA-STR, or Account 1508 Sub-account Retail Service Charges Incremental Revenue, the distributor must:~~

- ~~• Confirm that all costs incorporated into the variances reported in Account 1518 and Account 1548 are incremental costs of providing retail services.~~
- ~~• State whether the distributor has followed Article 490, Retail Services and Settlement Variances of the APH for Account 1518 and Account 1548.~~

~~If the balances in Account 1518, Account 1548, or Account 1508 Sub-account Retail Service Charges Incremental Revenue are material, the distributor must also:~~

- ~~• Identify the drivers for the balance(s) in Account 1518 and/or Account 1548.~~
- ~~• Provide a schedule identifying all revenues and expenses listed by USoA-account numbers that are incorporated into the variances recorded in Account 1518, Account 1548 and/or Account 1508.~~

In the [Decision and Order](#) in the matter of energy retailer service charge effective May 1, 2019, the OEB established a variance account (Account 1508, Sub-account Retail Service Charges Incremental Revenue) for electricity distributors that no longer used the RCVAs. The account captures the incremental revenues resulting from increased service charges authorized while under an approved IRM rate-setting plan. The balance in this account, as well as in Accounts 1518 and 1548 are to be disposed to ratepayers in a future cost of service rate application, and then the accounts are to be closed once the balance up to the end of the incentive rate-setting period is disposed. Distributors that have not yet done so in a cost of service application may forecast balances up to the end of the incentive rate-setting period, provided it can do so with reasonable accuracy, and the OEB may consider disposing of the forecast amounts and then closing the accounts. Distributors must provide the cost drivers for any material balances requested for disposition in Accounts 1518, 1548 or Account 1508 sub-account Retail Service Charges Incremental Revenue.

⁶⁵ There may also be instances where the residual balance also contains amounts associated with balances transferred to the vintage sub-accounts under Account 1595 (for example, shared tax savings).

2.9.1.5 Disposition of Account 1592, Sub-account CCA Changes

Account 1592 – PILs and Tax Variances, Sub-account CCA Changes was established in the OEB's [July 25, 2019 letter](#). Distributors may refer to section 2.6.2.1 for further details. With respect to this sub-account, distributors must provide the following:

- The full revenue requirement impact recorded in Account 1592, Sub-account CCA Changes and the balance sought for review and disposition.
- Calculations for accelerated CCA differences per year, based on actual capital additions.⁶⁶ These calculations should include:
 - The undepreciated capital cost (UCC) continuity schedules for each year, itemized by CCA class.
 - The calculated PILs/tax differences.
 - The grossed-up PILs/tax differences.
 - Any other applicable information.
- Confirmation that Account 1592 amounts related to ICM/ACM have been included in the account, if applicable.
- A reconciliation of these amounts to the amounts presented in the Account 1592 sub-account for CCA changes in the DVA ~~e~~Ccontinuity ~~s~~Schedule.

If a distributor does not have a balance in this sub-account, the distributor must explain why. ~~The treatment of this sub-account may depend on the PILs treatment from a distributor's last cost of service rate application.~~

2.9.1.6 Disposition of Account 1509 Impacts Arising from the COVID-19 Emergency

Shortly after the Ontario government declared a state of emergency in response to the COVID-19 pandemic, the OEB established a deferral account (the COVID-19 Account) for all rate regulated electricity distributors and natural gas utilities, to track the incremental costs associated with the pandemic. On June 17, 2021, the OEB issued the *Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency* (COVID-19 Report). Distributors are expected to refer to the *Filing Requirements for Electricity Distribution Rate Applications, 2025 Edition for 2026 Rate Applications*, for the detail required to support disposition of the COVID-19 Account.⁶⁷ ~~The COVID-19 Report noted that the COVID-19 Account would remain in effect until the utility's subsequent rebasing application, when it is reasonable to presume that rates may be reset reflecting the revised operating conditions facing the~~

⁶⁶ Distributors may propose alternative approaches in calculating the balance in the sub-account, with supporting rationale.

⁶⁷ *Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications, Chapter 2, Cost of Service, December 9, 2024, Corrected: May 7, 2025, pp. 64 & 65*

utility.⁶⁸ This section of the filing requirements outlines the OEB's minimum expectations with respect to the evidence necessary to substantiate any claims, however, distributors should refer to the COVID-19 Report for additional context and details.

The OEB noted that it expects applications for the COVID-19 Account to be filed only on an exceptions basis for costs not related to mandated government or OEB-initiated programs; and utilities should generally have been able to manage pandemic-related impacts within existing budgets.⁶⁹ Distributors requesting disposition of any amounts recorded in the COVID-19 Account are to file, at a minimum, the following information:

- A discussion regarding the interactions between the COVID-19 Account and other existing generic or utility-specific accounts, including a determination that there is no double-counting between multiple ratemaking mechanisms.
- A calculation showing that the distributor passes the ROE-based means tests to be eligible for recovery of amounts recorded in the account (as prescribed by the COVID-19 Report), including limitations on recoveries when various ROE thresholds are reached, and that the appropriate recovery rates for each sub-account have been applied.⁷⁰
- Supporting calculations for the annual amounts recorded in each of the sub-accounts, including the methodology used to measure incremental costs and savings, as applicable.⁷¹
- A discussion of causation, materiality, prudence of any amounts recorded in the sub-accounts, including all identified savings and cost reductions.⁷²
- A discussion of whether the distributor would be able to reasonably forecast any further entries in the account, up to the effective date of the new rates, so that the account may be disposed in its entirety in the current proceeding (and whether the distributor would be amenable to such an approach).
- A statement confirming that the distributor proposes discontinuation of the COVID-19 Account, effective the same date as the new rates. If this is not the case, supporting rationale is required.

⁶⁸ *Report of the Ontario Energy Board: Regulatory Treatment of Impacts Arising from the COVID-19 Emergency*, June 17, 2021, EB-2020-0133, page 38

⁶⁹ *Ibid.* Page 3

⁷⁰ Distributors should refer to Appendix B of the COVID-19 Report for details on how to calculate the means tests, recovery limitations, and sequencing of the calculations.

⁷¹ Distributors should refer to section 4.4, Measuring Incremental Impacts, of the COVID-19 Report.

⁷² Distributors should refer to section 4.3.2 Causation, Prudence, and Materiality Criteria, of the COVID-19 Report for specific details on how materiality is to be calculated.

2.9.1.7 Disposition of Account 1508, Sub-account Pole Attachment Revenue Variance

In the [Report of the Ontario Energy Board: Wireline Pole Attachment Charges](#), the OEB advised that a new variance account was required for distributors to track the revenue differences between the pole attachment charge incorporated in rates and the updated charge. In subsequent guidance, the OEB instructed distributors to record the excess incremental revenues, as of September 1, 2018, until the effective date of their rebased rates in a new variance account related to pole attachment charges.⁷³ The distributor would then refund the closing balance in its subsequent cost of service application.

Distributors are to provide a table showing the calculation of the account balance, showing at a minimum, the annual balance broken down by customer type, if applicable and:

- the number of poles used in the calculation.
- the pole attachment charge incorporated in rates.
- the updated charge.

A distributor disposing the balances in this account may also forecast the balance to the effective date of its new rates, provided it can do so with reasonable accuracy, and the OEB may consider disposing the forecast balance amount. Further transactions would not be expected to be recorded in the account, unless otherwise directed by the OEB. However, further accounting guidance was issued for certain distributors who rebased and closed the variance account. The OEB confirmed that these distributors will be allowed to re-open the account.⁷⁴

2.9.1.8 Disposition of Account 1508, Sub Account Getting Ontario Connected Act

The *Getting Ontario Connected Act, 2022*, S.O. 2022, c. 9 - Bill 93 (GOCA) came into force on April 14, 2022. It included amendments to the *Ontario Underground Notification System Act, 2012* imposing a five-business-day deadline for completing standard locate requests and introducing administrative penalties for failing to comply.

On October 31, 2023, the OEB established an industry-wide generic variance account ([EB-2023-0143](#)), to allow all electricity and gas distributors to record incremental costs

⁷³ [Accounting Guidance on Wireline Pole Attachment Charges](#), July 20, 2018

⁷⁴ As noted in the OEB's December 16, 2021 Order and associated [Accounting Guidance for Wireline Pole Attachment Charges](#), many distributors have rebased their rates since the issuance of the Pole Attachment Report, and reflected an updated pole attachment charge in their underlying rate structure. The OEB confirmed that these distributors who closed the variance account will be allowed to re-open the account effective January 1, 2021 to record any revenue shortfall resulting from the pole attachment charge for 2021 and 2022 as set by the Order and from the pole attachment charge set under the Regulation for subsequent years, until their next rebasing.

of locates resulting from the implementation of the GOCA. Distributors requesting disposition of any amounts recorded in the GOCA Variance Account are to file, at a minimum, the following information:

- A statement confirming that the distributor has reflected the GOCA impact in the locate costs of the test year's revenue requirement.
- Supporting calculations for the amounts recorded in the sub-accounts, including the methodology used to measure incremental costs.
- The proposed disposition of the GOCA Variance account under Account 1508 Sub-Account GOCA Variance Account and discontinuance of the account after the rebasing application.
- Rationale needs to be provided if the distributor proposes to continue the GOCA Variance account in the rate term.

2.9.1.9 Disposition of Account 1511 Incremental Cloud Computing Implementation Costs

On November 2, 2023, the OEB issued the [Accounting Order \(003-2023\) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs](#) (Cloud Computing Implementation Account). Distributors should refer to the OEB's related [Q&A document](#) for additional context and details.

The Accounting Order indicates that the OEB expects ~~utilities-distributors~~ to track costs at a sufficiently detailed level or category to assist in a prudence review of the costs incurred. The OEB will assess any claimed costs recorded in the account when disposition of the account balances is requested, subject to the applicable criteria for causation, materiality, and prudence. Distributors requesting disposition of any amounts recorded in the Cloud Computing Implementation Account are to file, at a minimum, the following information:

- A discussion and supporting explanation for the annual amounts recorded in the account, including the methodology used to measure incremental costs and offsetting savings, as applicable. If there are no offsetting savings, explanation should be provided.⁷⁵
- A list of the cloud solution ~~s(s)~~, actual or forecast amount ~~s(s)~~, type ~~s(s)~~ of expenditure (e.g., capital or OM&A), and nature of costs (e.g., data migration)

⁷⁵ Distributors should refer to Category 2: Offsetting Savings and related discussions in the [Cloud Computing Implementation Q&A Document](#)

- A list of the costs requested by projects (each with the business purpose of the projects) and a statement for each project regarding whether the cost associated for each project is material.
- A discussion of whether the distributor would be able to reasonably forecast any further entries in the account, up to the effective date of the new rates, so that the account may be disposed in its entirety in the current proceeding (and whether the distributor would be amenable to such an approach).
- ~~— A statement confirming that the distributor proposes discontinuation of the Cloud Computing Implementation Account, effective the same date as the new rates.~~
- A proposal for disposition of the account balance. The nature of the cloud solution should be considered in determining the disposition methodology. That consideration would include the timing and duration of any contract term and the magnitude of the expenditure. Recovery would generally be expected to be over the remaining contract term unless the distributor has a strong rationale for doing otherwise.
- Distributors may propose the treatment of any future cloud solutions during the rate term, which could include a new cloud computing deferral account. If no proposal is made in a rebasing rate application, the Cloud Computing Deferral Account will be closed.
- The prescribed interest rate for DVAs will continue to apply to the Cloud Computing Deferral Account.
- Electricity distributors may make proposals as part of their rebasing rate applications for the rate treatment of the unamortized balance of their cloud-based solutions and for any future projects. The proposal should consider the risk profile of cloud computing solutions versus on-premise solutions and different options that are available for the rate treatment.

2.9.1.10 Disposition of Account 1508, Sub Account Extended Horizons Variance Account

On March 20, 2025, the OEB established an industry-wide generic variance account (EB-2024-0092), the Extended Horizons Variance Account, to allow rate-regulated electricity distributors to record revenue requirement impact resulting from reductions in the forecasted customer capital contributions embedded in distribution rates that arise from the OEB's December 23, 2024 amendments to the DSC. In those amendments, the OEB extended the connection horizon and revenue horizon for customer connections meeting the criteria described in the version of Appendix B to the DSC that came into force on December 23, 2024.

The generic variance account applies only to the forecasted connections that are currently embedded in distribution rates and eligible for the extension of connection and revenue horizons.

Distributors requesting disposition of any amounts recorded in the Extended Horizons Variance Account are to file, at a minimum, the following information:

- Details of the forecasted connections that were embedded in rates as of the last cost of service application
- A statement confirming that the forecasted connections were eligible for the extension of connection and revenue horizons
- Supporting calculations for the amounts recorded in the Extended Horizons Variance Account, including the methodology used to determine those customer connections eligible for extension
- A statement confirming that the distributor has reflected the impact of the expansions of the horizons into its forecast for the test year and beyond
- The proposed disposition of the Extended Horizons Variance account under Account 1508 Sub-Account Extended Horizons Variance Account and discontinuance of the account after the rebasing application.

2.9.1.11 Disposition of Account 1508, Sub Account Electric Vehicle Charging Rate (EVC Rate)

On March 31, 2025, the OEB released its final report and accompanying letter on the design of the Electric Vehicle Charging Rate (EVC Rate). The EVC Rate will reduce the RTSRs paid by participating EV charging stations and will better align the RTSRs that they pay with the transmission system costs incurred to serve them.

The final report states that once a distributor's OEB-approved 2026 distribution rates become effective, it must offer the new EVC Rate to EV charging stations that apply.

The OEB's letter dated April 30, 2025 established a deferral account to allow electricity distributors to track the revenue requirement impacts of their incremental and material costs directly attributable to the implementation of the EVC Rate. The OEB expects these costs to be one-time implementation costs, as opposed to ongoing costs.

Distributors requesting disposition of any amounts recorded in the EVC Rate Deferral Account are to file, at a minimum, the following information:

- Supporting calculations for the amounts recorded in the sub-accounts, including the methodology used to measure incremental costs

- The proposed disposition of the EVC Rate Deferral Account and discontinuance of the account after the rebasing application.

2.9.1.102 Disposition of Distributor-Specific Accounts

For any material, distributor-specific accounts requested for disposition (e.g., Account 1508 sub-accounts), the distributor must provide supporting evidence showing how the annual balance is derived and provide the relevant accounting order. For distributor-specific accounts requested for disposition that are not material, the distributor must provide a brief explanation for the account balance ~~and the relevant accounting order.~~

2.9.2 Establishment of New Deferral and Variance Accounts

In the event a distributor seeks an accounting order to establish a new DVA, the distributor must file evidence demonstrating how the following eligibility criteria have been met:

- Causation: the forecast amount to be recorded in the proposed account must be clearly outside of the base upon which rates were derived.
- Materiality: the annual forecast amounts⁷⁶ to be recorded in the proposed account must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they must be expensed or capitalized in the normal course and addressed through organizational productivity improvements.
- Prudence: the nature of the amounts and forecast quantum to be recorded in the proposed account must be based on a plan that sets out how the amounts will be reasonably incurred, although the final determination of prudence will be made at the time of disposition. For any costs incurred, in terms of the quantum, this means that the distributor must provide evidence demonstrating that the option selected represented a cost-effective option (not necessarily least initial cost) for ratepayers.

Additionally, distributors must include a draft accounting order which must include a description of the mechanics of the account, and provide examples of general journal entries, and the proposed account duration.

⁷⁶ Capital related amounts would reflect the revenue requirement impact.

2.9.3 Lost Revenue Adjustment Mechanism Variance Account for NWS Activities

The LRAMVA is a retrospective adjustment designed to account for differences between forecast revenue loss attributable to CDM activity embedded in rates and actual revenue loss due to the impacts of CDM programs. The OEB established Account 1568 as the LRAMVA to capture the difference between the OEB-approved CDM forecast and actual results at the customer rate class level.⁷⁷ Treatment of the LRAMVA is documented in several versions of the CDM Guidelines (2012, 2015, 2021) and the 2024 NWS Guidelines.

In July 2016, the OEB developed a generic LRAMVA Wwork form to provide distributors with a consistent approach to calculate LRAMVA. The LRAMVA Wwork form consolidates information that distributors have received from the IESO.

In December 2016, the OEB indicated in various decisions⁷⁸ that changes to an approved LRAMVA amount were not permitted. This policy affects the treatment of verified savings adjustments that may be claimed by distributors. If an LRAMVA amount was approved and disposed, the persistence of the savings adjustment(s) may only be claimed on a “go-forward” basis.⁷⁹ Distributors cannot seek recovery of LRAMVA amounts related to savings adjustments for a year in which the corresponding LRAMVA amount has been approved by the OEB on a final basis. For example, if a distributor has received approval of its 2014 LRAMVA balance, excluding 2014 savings adjustments, the distributor must forgo any LRAMVA amounts related to the 2014 savings adjustments as the 2014 LRAMVA balance was approved by the OEB on a final basis.

The 2021 CDM Guidelines provided updated direction regarding eligibility of CDM activities for LRAMVA claims. In preparing claims related to disposition of outstanding LRAMVA balances, distributors may seek to claim savings from Conservation First Framework (CFF) programs, and from programs they delivered through the Local Program Fund that was part of the Interim Framework. Distributors should provide sufficient supporting documentation on project savings to support their claim. Distributors are not eligible for LRAM for other IESO programs funded through the Interim Framework, or for CDM activities funded by the IESO through the 2021-2024 CDM Framework.

⁷⁷ EB-2012-0003, Guidelines for Electricity Distributor Conservation and Demand Management

⁷⁸ EB-2016-0075 (Guolph Hydro 2017 IRM) and EB-2016-0080 (Hydro One Brampton 2017 IRM)

⁷⁹ See EB-2016-0214 for an example (North Bay Hydro 2017 IRM)

~~In 2024, the OEB replaced the CDM Guidelines with the NWS Guidelines. Distributors may request the use of an LRAMVA for distribution rate-funded NWS activities or LIP activities, with need to be determined on a case-by-case basis. Distributors should now refer to the NWS Guidelines for additional guidance relating to the LRAMVA.⁸⁰~~

~~2.9.3.1 Disposition of the LRAMVA~~

~~The 2021 CDM Guidelines required distributors filing an application for 2023 rates to seek disposition of all outstanding LRAMVA balances related to previously established LRAMVA thresholds (i.e., thresholds established in a distributor's previous cost-of-service proceeding), if possible. Most distributors have completed this step and now have a zero balance in the LRAMVA. Some of these distributors also had LRAM-eligible amounts approved on a prospective basis for future years (with the approved amounts to be adjusted mechanistically by the approved inflation minus X factor applicable to IRM applications in effect for a given year and recovered through a rate rider in the corresponding rate year).~~

~~Filing requirements differ depending on whether a distributor has already disposed of any balance in the LRAMVA as described below.~~

~~*Distributors with zero balance in the LRAMVA (including those with LRAM-eligible amounts previously approved on a prospective basis)*~~

~~A distributor with a zero balance in the LRAMVA should indicate this fact in its application and advise that it is not requesting any disposition. If a distributor had LRAM-eligible amounts previously approved on a prospective basis for the year of rebasing or later, these amounts will not be recoverable, as any persisting impacts of CDM can be taken into consideration in setting new base rates.~~

~~*Distributors with non-zero balance in the LRAMVA*~~

~~A distributor that does not have a confirmed zero balance in the LRAMVA should seek disposition as part of its application, with supporting information, or provide a rationale for not doing so.~~

~~Distributors are to refer to Section 2.9.3.1 of the 2023 edition of the Chapter 2 Filing Requirements for specific directions and filing requirements related to the disposition of any balance in the LRAMVA.~~

⁸⁰ ~~EB-2024-0118, Non-Wires Solutions Guidelines for Electricity Distributors, Section 8, March 28, 2024~~

~~2.9.3.2 Continuing Use of the LRAMVA for New NWS Activities~~

The Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) is a retrospective adjustment designed to account for differences between forecast revenue loss attributable to CDM activity embedded in rates and actual revenue loss due to the impacts of CDM programs. The OEB previously established Account 1568 as the LRAMVA to capture the difference between the OEB-approved CDM forecast and actual results at the customer rate class level, for previous CDM Frameworks. All distributors have disposed of LRAMVA balances arising from previous CDM Frameworks.

The use of an LRAMVA is no longer the default approach for CDM/NWS activities. The NWS Guidelines indicate that distributors may request the use of an LRAMVA for distribution rate-funded NWS activities or LIP activities, with need to be determined on a case-by-case basis.⁸¹ If such a request is granted, the distributor may propose to make use of the existing generic LRAMVA (Account 1568), or propose to establish a new account, with appropriate rationale and accounting details to support their proposed approach.

A distributor should indicate whether it is requesting an LRAMVA for one or more of these activities if this request has not been addressed in a previous application.

In all cases where a distributor is requesting access to, and the use of, an LRAMVA for a distribution rate-funded NWS activity or a LIP activity, the distributor should refer to the NWS Guidelines for the nature of the evidence the OEB requires to assess such a proposal.

⁸¹ EB-2024-0118, Non-Wires Solutions Guidelines for Electricity Distributors, Section 8, March 28, 2024

Appendix A

Appendix A: Costs of Eligible Investments for the Connection of Qualifying Generation Facilities

For any costs incurred to make investments that are eligible for rate protection as described in section 79.1 of the OEB Act and O.Reg. 330/09 under the OEB Act, including any facilities forecast to enter service beyond the test year, the distributor may seek approval to recover the rate protection component of the costs. The distributor must provide a proposal to divide the costs of eligible investments between the distributor's ratepayers and all Ontario ratepayers per O.Reg. 330/09, taking into account the OEB's [Report on the Framework for Determining Direct Benefits](#)⁸² (the Direct Benefits Report). If eligible investments are approved by the OEB, a variance account is used to record the actual costs of the investments, and revenue received from the Independent Electricity System Operator (IESO) pursuant to the provincial pooling mechanism set out in section 79.1 of the OEB Act. Distributors should refer to the OEB's March 2015 [APH](#) Guidance for further information.

For renewable generation connection investments, distributors can assume the direct benefit percentage to be 17%; for renewable enabling improvement investments, the assumed direct benefit percentage is 6%. Distributors will continue to have the option to undertake a more rigorous "detailed" direct benefit assessment based on the criteria set out in the Direct Benefits Report where the distributor believes the standard percentages will not be reflective of the direct benefits of its project(s). The component of such investments not eligible for rate protection will be treated the same as any other new capital investment undertaken by a distributor and will not be separately tracked.

Appendices 2-FA through 2-FC must be filed, identifying all material eligible investments (to a maximum of five years) for which rate protection is required. These appendices form the mechanism to calculate the applied-for costs (capital and OM&A), and the shares of total costs to be recovered from all Ontario ratepayers (net of direct benefits) and the distributor's ratepayers. The appendices also provide a revenue requirement calculation for the asset costs to be recovered annually in accordance with O.Reg. 330/09.

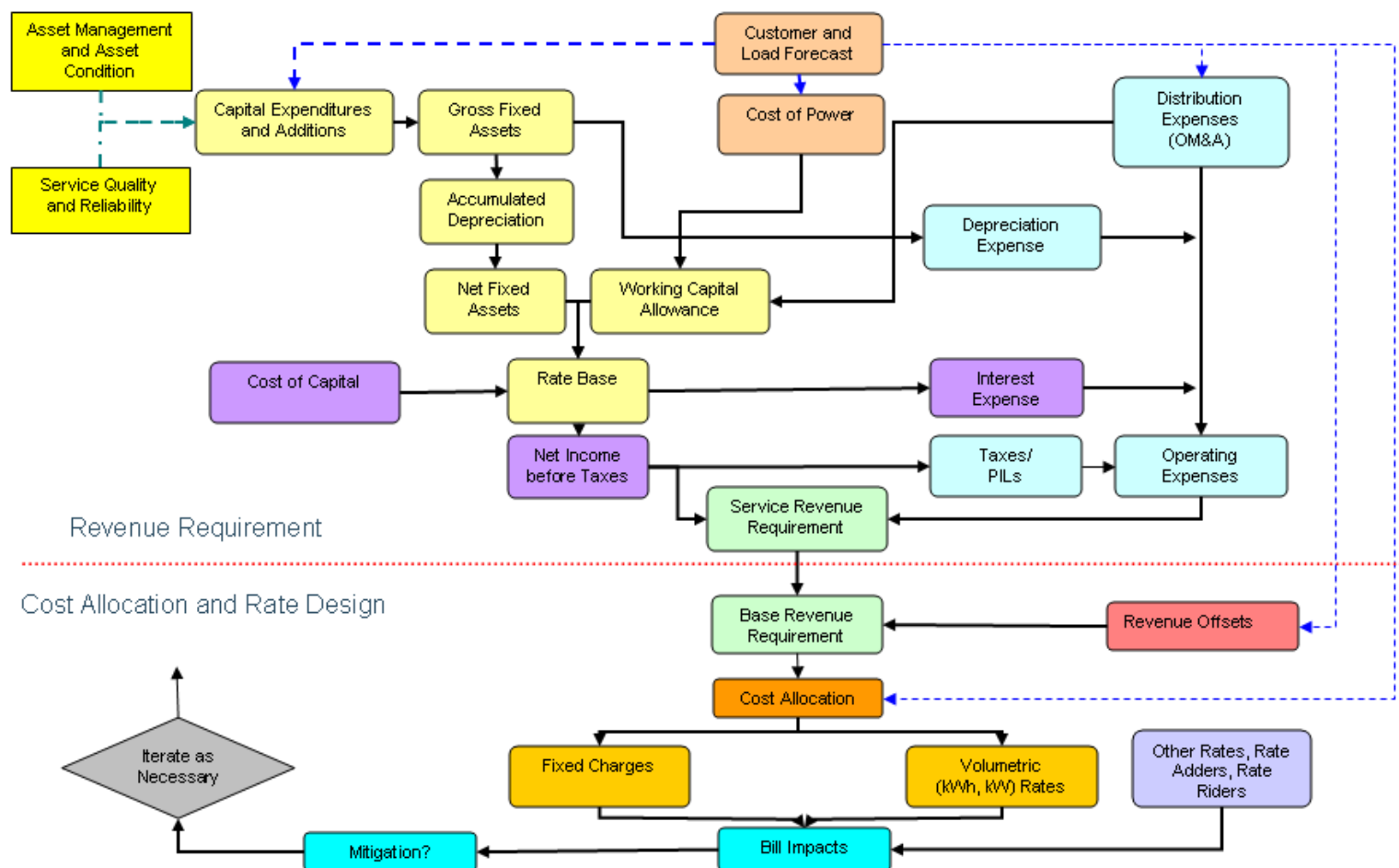
For distributors that are already receiving rate protection as a result of a previous application and approval (in many cases, based on a forecast of capital expenditures on qualifying connection assets), the new (current) cost of service application should include an update to include the actual costs incurred for the investments as well as a depreciation adjustment to calculate a new capital amount for input into Appendices 2-FA through 2-FC. This would generate a new up-to-date rate protection amount for the test year and beyond, which will be subject to the materiality threshold in section 2.0.8.

⁸² EB-2009-0349

Appendix B

Appendix B: Cost of Service Rate Application Schematic

The Cost of Service Rate Application Schematic is a flowchart that is included as a guide for the components of an application. The schematic demonstrates how customer/load forecast and costs interrelate to derive the revenue requirement and how the revenue requirement is allocated between classes and through fixed/variable splits to derive rates that will be compensatory for the annual revenue requirement, based on the forecast customer/load forecast.



Appendix C

Appendix C: List of Key References

The references listed below are key to interpreting these Filing Requirements.

[Report of the Board on Transition to International Financial Reporting Standards \(EB-2008-0408\) - July 28, 2009, ~~outlined in section 2.3.5 below~~](#)

[Addendum to Report of the Board EB-2008-0408 - Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment - June 13, 2011](#)

[The OEB's Accounting Procedures Handbook \(APH\) and Uniform System of Accounts \(USoA\), any subsequent updates and Frequently Asked Questions](#)

[Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative \(EDDVAR\) - July 31, 2009](#)

[Asset Depreciation Study for Use by Electricity Distributors \(EB-2010-0178\), \(the Kinectrics Report\), July 8, 2010](#)

[Board letter of June 25, 2013, providing accounting policy changes for Accounts 1575 and 1576 effective in the 2014 cost of service rate application and subsequent rate years](#)

[Report of the Board - Performance Measurement for Electricity Distributors: A Scorecard Approach - March 5, 2014](#)

[Report of the Board: Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors - corrected December 4, 2013](#)

[Report of the Ontario Energy Board on Regulatory Treatment of Pension and Other Post-employment Benefits \(OPEBs\) Costs \(EB-2015-0040\), September 14, 2017](#)

[Accounting Guidance related to Accounts 1588 RSVA Power, and 1589 RSVA Global Adjustment](#)

[Accounting Guidance related to Accounts 1588 & 1589, resulting from the Independent Electricity System Operator's Market Renewal Program](#)

[Handbook to Electricity Distributor and Transmitter Consolidations, July 11, 2024](#)

Capital Funding Options:

[Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module \(EB-2014-0219\), September 18, 2014](#)

[Report of the OEB: New Policy Options for the Funding of Capital Investments: Supplemental Report – January 22, 2016](#)

Cost of Capital:

[Report of the Board on the Cost of Capital for Ontario's Regulated Utilities - December 11, 2009 and any subsequent updates.](#)

[OEB Staff Report on the Review of the Cost of Capital of Ontario's Regulated Utilities \(EB-2009-0084\) and OEB Covering letter, January 14, 2016](#)

[Generic Proceeding Decision and Order EB-2024-0063 re: Cost of Capital and Other Matters](#)

Cost Allocation

[Report of the Board on Application of Cost Allocation for Electricity Distributors \(EB-2007-0667\), November 28, 2007](#)

[Review of Electricity Distribution Cost Allocation Policy \(EB-2010-0219\), March 31, 2011](#)

Green Energy:

[Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09 \(EB-2009-0349\); Report of the Board June 18, 2010 \(Revised and Re-issued March 28, 2013\)](#)

Miscellaneous Rates and Charges:

[Report of the Ontario Energy Board on Wireline Pole Attachment Charges, March 22, 2018](#)

[Accounting Guidance for Wireline Pole Attachment Charges and EB-2021-0302, Decision and Order, Wireline Pole Attachment Charge, December 16, 2021](#)

[OEB Letter re. Consultation on Policy for Standby Rates EB-2023-0278, March 28, 2024](#)

Regulatory Framework:

[Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach - October 18, 2012](#)

[Handbook for Utility Rate Applications \(the Rate Handbook\), October 13, 2016](#)

Retail Transmission Rates:

~~[Guideline \(G-2008-0001\) on Retail Transmission Service Rates – October 22, 2008 \(Revision 3.0 June 22, 2011 and any subsequent updates\)](#)~~

~~[Guidelines on Electricity Distribution Retail Service Rates and Low Voltage Charges, March 31, 2025](#)~~

Working Capital:

~~[Allowance for Working Capital for Electricity Distribution Rate Applications, June 3, 2015](#)~~

~~[Review of Working Capital Allowance for Electricity Distributors and Default Value for 2027 Rates, December 16, 2025](#)~~

NWS Guidelines:

[Innovation Handbook – Revised as of September 2024](#)

[Non-Wires Solutions Guidelines for Electricity Distributors, March 28, 2024](#)

[Benefit-Cost Analysis Framework for Addressing Electricity System Needs, May 16, 2024](#)

[Filing Guidelines for Incentives for Electricity Distributors to Use Third-Party DERs as Non-Wires Alternatives, March 28, 2023](#)

Deferral and Variance Accounts:

[Getting Ontario Connected Act Variance Account \(EB-2023-0143\)](#)

[Accounting Order \(003-2023\) for the Establishment of a Deferral Account to Record Incremental Cloud Computing Arrangement Implementation Costs](#)

[KPMG Report on Cloud Computing Costs](#)

[Cloud Computing Implementation Cost Deferral Account QA \(Feb 15, 2024\)](#)

~~[Extended Horizons Variance Account \(EB-2024-0092\)](#)~~

[Electric Vehicle Charging Rate Implementation Costs Account \(EB-2023-0071\)](#)

[Climate Vulnerability Assessment and System Hardening](#)

[OEB Letter – Release of Final VASH Report and Toolkit, October 7, 2025](#)

[Vulnerability Assessment and System Hardening \(VASH\) Report, October 7, 2025](#)

[Vulnerability Assessment Toolkit, October 7, 2025](#)

[Reliability Targets](#)

[OEB Letter, Setting Reliability Performance Targets - Reliability and Power Quality EB-2021-0307, January 28, 2025](#)

[OEB Letter, Reliability Performance Targets - Reliability and Power Quality Review EB-2021-0307, October 3, 2025](#)

[Other](#)

[OEB Letter, OEB's 10-Point Action Plan: Implementation Update – Item #9 EB-2025-0098, December 1, 2025](#)