



**Ontario Energy Board
Commission de l'énergie de l'Ontario**

DECISION AND ACCOUNTING ORDER

EB-2017-0338

HYDRO ONE NETWORKS INC.

**Application for an Accounting Order approving the establishment of a
deferral account**

**Before: Lynne Anderson
Presiding Member**

June 7, 2018

1 INTRODUCTION AND SUMMARY

On November 2, 2017, Hydro One Networks Inc. (Hydro One) filed an application requesting to establish a deferral account effective January 1, 2018, to capture the financial impacts associated with a change to accounting standards for pension and other post-employment benefits (OPEB) costs for Hydro One's transmission business.

The Ontario Energy Board (OEB) adopted the intervenors of record from Hydro One's 2017-2018 transmission revenue requirement proceeding¹ as the intervenors in this proceeding. In the Notice of Application and Hearing and Procedural Order No.1, the OEB established procedural dates for interrogatories and submissions.

On May 10, 2018, the OEB issued its Decision and Order approving Hydro One's request to establish the deferral account effective January 1, 2018. Hydro One was ordered to file with the OEB an updated accounting order that was consistent with the findings of the May 10, 2018 Decision and Order.

The OEB approves the accounting order set out in Schedule A to this Decision and Accounting Order.

¹ EB-2016-0160

2 ACCOUNTING ORDER

In its application and draft accounting order, Hydro One proposed that interest be recorded on the balance in the deferral account using the interest rates set by the OEB. The Decision establishing the deferral account did not include a finding on interest, nor on the approach to disposition of the deferral account. The Decision did state as follows:

While the OPEB cost itself is part of the 2018 revenue requirement, the new accounting standard raises a question of whether the cost should be capitalized or expensed. With the establishment of the deferral account, the OEB does not need to make that determination now, and all regulatory options remain open.

FINDINGS

Hydro One shall file a proposal on the approach to disposition of the deferral account as part of its next transmission revenue requirement application for consideration by the OEB. It is appropriate to consider this approach at the same time that the OEB is considering regulatory options for the treatment of OPEB costs going forward. Options for disposition of the deferral account have not been considered in this proceeding but they could include an adjustment to rate base, a rate rider, or other approaches.

Depending on the disposition option the OEB approves, it may be appropriate to amend the calculation and treatment of interest. Hydro One shall record entries in the new deferral account per Schedule A to this Accounting Order; however, a final determination on the appropriate calculation and treatment of interest should be made in conjunction with the decision on the approach to disposition of the deferral account.

DATED at Toronto, June 7, 2018

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Schedule A

Accounting Order

Hydro One Networks Inc.

OEB File No: EB-2017-0338

Dated: June 7, 2018

Hydro One Networks Inc. – Accounting Order

Account 1508, Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account”

Hydro One Networks Transmission shall establish a new “Other Post-Employment Benefit (OPEB) Cost Deferral Account” to record all elements of the net periodic benefit cost other than the service cost that would have been classified as capital prior to the issuance of ASU 2017-07, as noted in Hydro One Networks Transmission’s Application.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account” effective January 1, 2018 until such time as the effective date of the next transmission revenue requirement. Hydro One Networks Transmission will record interest on any balance in the sub-account using the deferral and variance account interest rates prescribed by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The approach to disposition of the deferral account will be determined by the OEB in a future proceeding. The final determination on the calculation and treatment of interest will be made in conjunction with the decision on the approach to disposition of the deferral account.

The following outlines the proposed accounting entries for this account:

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account”
Cr: 2055	Construction Work in Progress – Electric

To record the capitalized elements of the net periodic post-retirement benefit cost other than service cost.

USofA #	Account Description
Dr: 1508	Other Regulatory Assets – Sub-Account “OPEB Cost Deferral Account”
Cr: 6035	Other Interest Expense

To record interest improvement on the principal balance of the “OPEB Cost Deferral Account”.