



EB-2012-0100
EB-2012-0211

IN THE MATTER OF subsections 78(2.1), (3.0.1), (3.0.2) and (3.0.3) of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF subsection 53.8(8) of the *Electricity Act, 1998*;

AND IN THE MATTER OF Ontario Regulation 453/06 made under the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by the Independent Electricity System Operator as Smart Metering Entity for an Order fixing a Smart Metering Charge for July 1, 2012 to December 31, 2017; and

AND IN THE MATTER OF a proceeding on the Ontario Energy Board's own motion to review the options for and ultimately determine the appropriate allocation and recovery of the Smart Metering Charge pursuant to section 19 of the *Ontario Energy Board Act, 1998*.

BEFORE: Paula Conboy
Presiding Member

Cathy Spoel
Member

DECISION ON ACCOUNTING ORDER
MAY 14, 2013

In the Decision and Order that was issued on March 30, 2013, the Board approved effective May 1, 2013, the Smart Metering Entity ("SME") charge to be levied and collected by the SME from all Distributors identified in the Board's annual Yearbook of Electricity Distributors shall be \$0.788 per month for each Residential and General Service <50kW customers for each distributor from May 1, 2013 to October 31, 2018.

The Board also approved, effective May 1, 2013, a SME charge of \$0.79 per month to be levied and collected by Distributors identified in the Board's annual *Yearbook of Electricity Distributors* from Residential and General Service <50 kW from May 1, 2013 to October 21, 2018.

In addition, the Board ordered the SME to file a draft Accounting Order and provided Board staff and interested parties with the opportunity to comment. The SME filed a draft accounting order on April 8, 2013. Board staff and School Energy Coalition ("SEC") provided submissions on the draft accounting order.

A record of all procedural matters that have been dealt with up to this point in this Combined Proceeding is available on the Board's web site.

Submissions on the Draft Accounting Order

Board staff submitted that the SME's Accounting Order should be consistent with the Board's accounting and reporting requirements for electricity sector rate-regulated entities with respect to the three accounts approved in the Board's Decision and Order in EB-2012-0100. Board staff also submitted that its proposed language should replace the language proposed by the SME in the draft accounting order filed on April 8, 2013.

SEC supported Board staff's comments.

On April 30, 2013, the SME filed a reply submission to Board staff's submission. The SME submitted that the comments of Board Staff reflect the Board's prescribed accounting practices. The SME also submitted that while these practices are appropriate for many utilities within the electricity sector, there are two significant differences between the accounting practices of the SME and the practices of other entities within the sector: (i) the Independent Electricity System Operator ("IESO") (including the SME) is a not-for-profit entity and (ii) the IESO adheres to the Public Sector Accounting Standards ("PSAS"). Because of these differences, the SME requires an Accounting Order that deviates from the Board's prescribed practices. The SME revised its draft Accounting Order to reflect the above-noted deviation and to incorporate many of Board staff's comments.

Board Decision

The Board accepts the revised draft Accounting Order that reflects the changes proposed by the SME in its reply submission. The Accounting Order is attached as Appendix A to this decision.

The Board accepts that the accounting practices of the SME are generally different as compared to other electricity sector rate-regulated entities in that the SME is a not-for-profit entity that reports under PSAS for financial reporting purposes.

The Board approves the inclusion of the general, introductory statement: "This accounting order is intended to reflect the Board's Decision and Order in EB-2012-0100/ EB-2012-0211 dated March 28, 2013." The Board also accepts that the SME does not have its own audited financial statements but costs and revenues are included (and actuals reconciled with) in the audited financial statements of the IESO. The Board therefore approves the wording suggested in paragraph 2 of the SME submission. The Board also accepts that no carrying charges shall be recorded on these accounts since carrying charges are already included and reported in financing costs.

The SME proposed the following language regarding the disposition of account balances:

Costs Account

The SME shall seek approval to dispose of the balance of the Costs Account as part of its next application.

Revenue Account

The SME shall seek approval to dispose of the balance of the Revenue Account as part of its next application.

Service Level Credits Account

The SME shall apply to the OEB to clear the approved variance account on the earlier of (i) the date on which the balance in the variance account meets or exceeds \$2 million, or (ii) January 26, 2016.

The Board accepts the proposed language provided by the SME with respect to the disposition of the account balances given that the Settlement Agreement specified that the costs and revenues accounts could be addressed by the Board prior to the next Smart Metering Charge case.

THE BOARD ORDERS THAT:

1. The SME shall comply with the Accounting Order that is attached as Appendix A to this Decision.

ISSUED at Toronto, May 14, 2013.

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

TO DECISION ON ACCOUNTING ORDER

Smart Metering Entity Charge

EB-2012-0100 / EB-2012-0211

ACCOUNTING ORDER

Dated May 14, 2013

APPENDIX "A"

SMART METERING ENTITY ACCOUNTING ORDER

EB-2012-0100 / EB-2012-0211

April 30, 2013

1. This accounting order is intended to reflect the Board's Decision and Order in EB-2012-0100/EB-2012-0211 dated March 28, 2013.
2. The Smart Metering Entity ("SME") shall establish the following variance accounts effective as of May 1, 2013:

Costs Account

Description: The SME shall record and report on the difference between the actual costs incurred and the annual forecast budget costs in the Revenue Requirement for each calendar year in the period from January 1, 2013 to December 31, 2017. The variance amount shall be reported as of December 31 of each year. The reported total actual costs incurred will be reconciled to the audited financial statements of the IESO that include the actual costs incurred of the SME.

The forecast costs shall be the Revenue Requirement included in the table attached as Appendix "A" to the approved Settlement Proposal in EB-2012-0100/EB-2012-0211.

The SME shall seek approval to dispose of the balance of the Costs Account as part of its next application.

Revenue Account

Description: The SME shall record and report on the difference between the actual revenues accrued and the forecast budget revenues for each calendar year in the period from May 1, 2013 to October 31, 2018.

The variance amount (i.e., revenue surplus or deficiency) shall be reported as of December 31 of each year.

The forecast budget revenue shall be as provided in the table attached as Appendix "B" to the approved Settlement Proposal in EB-2012-0100/EB-2012-0211.

The SME shall seek approval to dispose of the balance of the Revenue Account as part of its next application.

Service Level Credits Account

Description: The SME shall record and report on the amount of reduction in fees or recovered amounts (herein referred to as "credits") in relation to failure or breach resulting in a reduction of the fees payable to the Operational Service Provider by the SME or any amount recovered from the Operational Service provider in respect of any

such failure or breach, on or after May 1, 2013 pursuant to section 7.6 of the SME/LDC Agreement.

The SME shall apply to the OEB to clear the approved variance account on the earlier of (i) the date on which the balance in the variance account meets or exceeds \$2 million, or (ii) January 26, 2016.

Sample Report

	Year: [Year]			Cumulative (2013 to [Year])		
Variance Account	Budget	Actual	Variance	Budget	Actual	Variance
Cost						
Revenue						
Service Level Credits						

3. No carrying charges shall be recorded on these accounts.
4. The SME shall maintain records to substantiate the balances reported in each account. The SME shall provide reconciliations of SME's actual costs, revenues and service level credits to IESO's annual audited financial statements to support the variances reported in each account.
5. The SME shall, annually on or before May 1, beginning in 2014, report to the Board the balances in each of the Costs Account, Revenue Account and Service Level Credits Account.
6. The SME shall, annually on or before May 1, beginning in 2014, file a report with the Board that includes a table substantially in the form attached as Appendix "C" to the Settlement Proposal. The report will provide the SME's budgeted and actual costs for the prior calendar year; the SME's budgeted and actual revenue for the prior calendar year; and an explanation for any material divergence of actual costs from the forecast costs and revenue for that calendar year. The SME shall provide a copy of the report to all Board-approved intervenors in EB-2012-0100 and EB-2012-0211.