

Accounting Order – Other Pension and Employment Benefits (OPEBs)

Wellington North Power Inc. (Wellington North) shall establish the following deferral account effective January 1, 2016:

- Account 1508 Other Regulatory Assets, Subaccount – OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account

Wellington North shall establish the OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account for the purpose of recording the difference in revenue requirement each year between both the capitalized and OM&A components of OPEBs accounted for using a forecasted cash basis, as reflected in rates and the capitalized and OM&A components of OPEBs accounted for using a forecasted accrual basis.

If the Ontario Energy Board (OEB) determines that distributors must only include in rates OPEBs accounted for using a forecasted cash basis, Wellington North will seek to discontinue this account without seeking disposition of the amounts recorded in this account. If the OEB determines that distributors may recover OPEBs in rates using a forecasted accrual accounting methodology, Wellington North will seek disposition of this account to recover the amounts so recorded in its next cost of service rate application.

Wellington North is to propose a disposition period over which the account should be recovered depending on the quantum in the account and the potential rate impacts at the time.

Carrying charges will not apply to this account.

Sample Journal Entry

Assumptions:

- OPEB costs (accrual basis) = \$12,568
- OPEB costs (cash basis) = \$568
- OPEB costs split between operating and capital on a 90/10 ratio.
- Assume capital items depreciated over 40 years and half year rule applies in year of acquisition.
- Assume OPEB costs incurred evenly throughout the fiscal period.

The sample accounting entries for the Deferral Account is provided below:

A: To record the excess of OPEBs accounted for using a forecasted accrual basis over OPEBs accounted for using a forecasted cash basis.

DR	1508 Other Regulatory Assets, Subaccount – OPEB Forecast Cash versus Forecast Accrual Differential Deferral Account	\$12,000
CR	Capital costs (various accounts)	\$1,200
CR	OM&A expenses (various accounts)	\$10,800

B: To reverse depreciation recorded on capital portion of OPEB costs:

DR	Accumulated Depreciation	\$15
CR	Depreciation Expense	\$15

Accounting Order – Second Line Feeder Project

Wellington North Power Inc. (Wellington North) is to establish a new variance account effective January 1, 2016:

- 1508 Other Regulatory Assets, Subaccount – Second Line Feeder Project Variance Account

Wellington North shall establish the Second Line Feeder Project Variance Account for the purpose of recording the revenue requirement impact of three items:

- a) The revenue requirement impact of the net differences in costs of the capital contributions paid to Hydro One Network Inc. (Hydro One) for the construction of the Second Line Feeder to Mount Forest and the amount built into rates (i.e. revenue requirement impact of the difference between \$913,000 and actual customer contributions).
- b) The revenue requirement impact of the net differences in costs of the construction required to be done by Wellington North to integrate the Second Line Feeder Project into the existing distribution system, and the amount built into rates (i.e. revenue requirement impact of the difference between \$460,000 and the actual costs for Wellington North Highway 6 Pole Line and Primary Metering Equipment Meter costs).
- c) The revenue requirement impact of either of the above two projects not being completed in 2016.

The costs that are included in the 2016 Cost of Service rate application are as follows:

Item	Estimated Cost (000)
Customer Contribution to Hydro One 2nd Feeder	\$881
Customer Contribution re. Hydro One Study	\$32
Wellington North Highway 6 Pole Line	\$380
Primary Metering Equipment (PME) Meter	\$80
Total	\$1,373

This variance account is to include the following:

- 1) To record the revenue requirement impact of differences in Capital Contributions paid to Hydro One to complete the Second Line Feeder Project and the amount built into rates:

Accounting Entry:

Debit/Credit - Account 4080

Credit/Debit - Account 1508, Other Regulatory Asset – Sub-account Second Line Feeder

- 2) To record revenue requirement impact of the differences in in pole line project costs Wellington North incurs to integrate the Second Line Feeder Project into the existing distribution system:

Accounting Entry:

Debit/Credit – Account 4080

Credit/Debit - Account 1508, Other Regulatory Asset – Sub-account Second Line Feeder

The account is symmetrical and will reflect both cost over-runs and lower project costs in both the Hydro One and Wellington North components of the project.

The balance in the variance account is to be reviewed at Wellington North's next Cost of Service Filing.

Carrying charges will be applied at the Ontario Energy Board's Prescribed Interest Rate.