



Ontario
Energy
Board | Commission
de l'énergie
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BY EMAIL AND WEB POSTING

August 14, 2020

**To: All Rate-regulated Electricity Distributors
All Rate-regulated Natural Gas Distributors
All Rate-regulated Electricity Transmitters
Ontario Power Generation Inc.
All Other Interested Parties**

**Re: Accounting Order for the Establishment of a Sub-account to Record
Impacts Arising from the COVID-19 Emergency from Bad Debt**

Purpose

The purpose of this accounting order is to establish a new sub-account called Impacts Arising from the COVID-19 Emergency, Sub-account Bad Debt.

Background

In the accounting orders issued on [March 25, 2020](#) and [April 29, 2020](#), the Ontario Energy Board (OEB) ordered the establishment of the deferral account, Impacts Arising from the COVID-19 Emergency (the Account), with three sub-accounts for electricity distributors, natural gas distributors, electricity transmitters and Ontario Power Generation Inc.

Bad Debt Sub-account

1. Establishment of the Sub-account

In its [letter](#) issued on May 14, 2020, the OEB commenced a consultation on the Account. The letter invited stakeholder comments on the draft issues list.

In its [follow-up letter](#) issued on June 4, 2020, the OEB also asked stakeholders to address whether there is a need for the OEB to provide advanced policy direction in the near term, to provide greater certainty with respect to the recoverability of amounts tracked in the Account to address immediate needs.

In the letter regarding the final issues list (Issues List Letter) accompanying this accounting order, the OEB provides the final issues list. As discussed in the Issues List Letter, the OEB has determined that no advanced policy direction (draft issues list #1a) will be provided. However, the OEB also determined that a separate sub-account of the Account for bad debt would be established.

The OEB is, therefore, hereby ordering the establishment of a new sub-account under the Account, to be called the Bad Debt Sub-Account. Like the control account, the effective date for the sub-account is March 24, 2020. Any bad debt amounts previously recorded in the Other Costs Sub-account from March 24, 2020 to present shall be transferred to the Bad Debt Sub-account. It is the OEB's expectation that bad debt will also be recorded in the Bad Debt Sub-account on a prospective basis.

The Bad Debt Sub-account will record amounts related to bad debt resulting from the COVID-19 emergency. Electricity distributors and electricity transmitters shall establish a sub-account under Account 1509. Natural gas distributors shall establish a sub-account under Account 179. The sub-account is also applicable to Ontario Power Generation Inc., if needed.

As per the Issues List Letter, the OEB is of the view that bad debt is potentially one of the largest incremental cost components of the Account. Given the potential for large incremental bad debt amounts expected to be incurred by utilities, the OEB has determined that it is appropriate to segregate this component to enable the tracking of these amounts at a more detailed level going forward and to monitor the cost impacts.

The OEB notes that any clearing of amounts in this sub-account shall be subject to the OEB's final rules and directions arising from the ongoing consultation. The establishment of this sub-account should not be construed in any way as confirming the recoverability of any incremental bad debt in advance of the conclusion of this consultation and/or a decision on disposition of the Account by the OEB.

2. Guidance on the Sub-account

The consultation will consider the methodology for determining the amount of incremental bad debt resulting from the COVID-19 emergency that is to be recorded in

the Bad Debt Sub-account. Until this methodology is established, utilities may identify incremental bad debt resulting from the COVID-19 emergency using their own judgment. In doing so, utilities may consider factors such as the amount of bad debt embedded in their approved revenue requirement, historical bad debt expense over the last five years and any discrete bad debt that has arisen during the period of the emergency due to reasons not relating to the COVID-19 emergency, if readily identifiable.

As per the Issues List Letter, the appropriate carrying charge rate for this sub-account will be explored in the consultation.

This Accounting Order is being issued by delegated authority under section 6 of the *Ontario Energy Board Act, 1998*.

DATED at Toronto August 14, 2020

ONTARIO ENERGY BOARD

Original signed by

Theodore Antonopoulos
Vice President Applications Division