Procedure Number:	**Regulatory Accounts**	**Revision Number: __1___**
Title:	**1588/1589 Monthly Process**	**Policy: _001___**
Issued by:	Finance and Regulatory Specialist	**Approved by: _CFO**
Date:	Approved June, 2019	

Policy: Refer to _____

Purpose: Outlines the procedure for recording, filing and reconciling the 1588/1589 account transactions.

Responsibilities:

The Finance and Regulatory Specialist is responsible for preparing the monthly filing reports, inputting data through the IESO portal and the monthly reconciliations.

The VP of Corporate Services is responsible for reviewing and approving the monthly IESO filing.

Definition: Not Applicable

Frequency: Monthly

Trigger: Filing performed in the first four business days of the month. Reconciliation is performed once data is available.

Procedure:

Harries GA Entries

During the calendar month, the CIS posts entries for Class B Global Adjustment for applicable accounts (i.e. Non-RPP) to accounts:

- **1.10.4025.120.800** (Street Lighting Energy Sales – GA)
- **1.10.4035.115.800** (General Energy Sales > 50kW – GA)
- **1.10.4035.110.800** (General Energy Sales < 50kW – GA)
- **1.10.4055.XXX.800** (Energy Sales Resale (Retail) – GA)

The amounts charged is at the IESO **1st estimate** GA rate.

These revenue amounts are typical representative of the **previous** calendar month.

Example: December usage is recorded in January (the following month)

Cost of Power Accrual

Distributors are expected to be accruing the cost of power bill each month.

The monthly cost of power accrual amounts are calculated as follows:

- Estimated wholesale volumes purchased for RPP and non-RPP customers
- 2nd estimate for GA price

The accrual amount will be recorded at the beginning of the month. As the actual IESO invoice is received later in the month, the accrual amount will be reversed and actuals will be recorded in the following month.

Accounting Entry:

The entry will be recorded to following accounts:

1.10.4705.900.000 (Power Purchased)	$DR	
1.10.4708.900.000 (Charges – WMS)	$DR	
1.10.4708.900.001 (Charges – WMS OESP)		
1.00.1110.902.001 (AR Other – IESO OESP)		
1.00.1110.902.002 (AR Other – OREC)		$CR
1.00.1110.902.003 (AR Other – IESO GA Modifier)		$CR
1.00.1110.902.004 (AR Other – DRP)		$CR
1.10.4751.900.000 (Charges – Smart Meter Entity Charge)		$CR
1.10.4708.900.002 (IESO CBR amount for Class A Loads)	$DR	
1.10.4708.900.003 (IESO CBR amount for Class B Loads)	$DR	
1.10.4707.000.801 (IESO Global Adjustment Class A)	$DR	
1.10.4707.000.800 (IESO Global Adjustment Class B)	$DR	
1.00.2256.900.000 (IESO Fees and Penalties Payable)		$CR

Unbilled Revenue Accrual

Distributors must accrue all revenues (all components of the customer bills) they expect to invoice their customers, embedded distributors, and short term and long term load transfers for all energy and demand consumed but not billed and recorded in the accounts, by the end of each month. All USoA accounts are to be used for the unbilled revenue accrual, i.e. the same revenue accounts that are used for billing purposes.

The monthly unbilled amounts are calculated as follows:

- A monthly % change in consumption is calculated using preliminary data from Kinetiq.
- This monthly % change in consumption is multiplied by the current month billed, to determine unbilled.

Note: The above applies to Energy, WMS, Network, Connection and Distribution revenue. Class A GA accrual calculated as the difference between current month actuals and previous month IESO charges.

Example: To calculate February unbilled	
January consumption:	***20,369,107***
February consumption:	***20,416,973***
Monthly % change in consumption:	***0.23%***
February billed (actual):	***$2,102,076***
February unbilled (estimate):	***$2,102,076 x (1 + 0.23%) = $2,150,424***

Accounting Entry:

The following entry is made on a monthly basis for unbilled revenue:

1.00.1120.900.000 (Accrued Utility Revenues)	$X DR	
1.10.4050.900.000 (Revenue Adjustment)		$X CR
1.10.4062.900.000 (Billed - WMS)		$X CR
1.10.4062.900.002 (Billed – WMS CBR Class A)		$X CR
1.10.4062.900.003 (Billed – WMS CBR Class B)		$X CR
1.10.4066.900.000 (Billed – NW)		$X CR
1.10.4068.900.000 (Billed – CN)		$X CR
1.10.4075.900.000 (Billed – LV Charges)		$X CR
1.10.4076.900.000 (Billed – SME Charges)		$X CR
1.20.4080.900.000 (Distribution Service Revenue)		$X CR
1.30.4235.900.000 (Miscellaneous Service Revenue)		$X CR
1.10.4035.115.801 (General Service Energy Sales >50kv Class A GA)		$X CR

IESO Filing

Distributors are required to make RPP settlement claims with the IESO for each trade month. Through these claims, distributors will recover/return the differences between amounts billed to RPP customers for commodity costs, and amounts charged by IESO to distributors based on the HOEP plus GA.

Estimates for costs and revenues are made, as the actual customer consumption volume data is not available until the billings have been completed.

Volume

Estimates are made for the following kWh consumption **volume** data:

- RPP customer kWh sales consumption volumes

  - RPP TOU
    - On-Peak
    - Mid-Peak
    - Off-Peak
- Non-RPP customer kWh sales consumption volumes

Example: See Appendix I

Rates/Pricing

The following **rates/pricing** and **unit cost** data are used when performing initial RPP settlement calculations:

- Each of the three RPP TOU periods:
  - RPP TOU
    - On-Peak
    - Mid-Peak
    - Off-Peak
- Estimated Average Energy Price for RPP customers
- GA 2nd estimate

Example: See Appendix II

IESO Invoice Reconciliation

When the monthly IESO invoice is received, the GA settlement amount is allocated to the following:

- Charge type 147 (Class A Global Adjustment) is recorded in GL account **1.10.4707.000.801** (IESO Global Adjustment Class A)
- Charge type 148 (Class B Global Adjustment) is divided into 2 segments:
  - 25% of CT 148 is recorded in **1.10.4707.000.800** (IESO Global Adjustment Class B) **(1589)**
  - The balance is recorded in **1.10.4705.900.000** (Power Purchased) **(1588)**

Note: At this stage, it is estimated that 25% of charge type 148 is for Class B Global Adjustment, a true-up is required once actuals are known.

RSVA Reconciliation

The monthly Non-RPP GA variance is calculated by taking the difference between:

- The monthly Non-RPP Cost of GA (25% allocated to 1.10.4707.000.800) and

- The monthly Non-RPP GA revenue
  - **1.10.4025.120.800** (Street Lighting Energy Sales – GA)
  - **1.10.4035.115.800** (General Energy Sales > 50kW – GA)
  - **1.10.4035.110.800** (General Energy Sales < 50kW – GA)
  - **1.10.4055.XXX.800** (Energy Sales Resale (Retail)) – GA

Using this variance calculation, an entry is recorded to:

- **1.00.1589.800.000** (RSVA Global Adjustment) and
- Either **1.10.4710.902.000** (Cost of Power Adjustment RSVA) or **1.10.4050.902.000** (Revenue Adjustment RSVA) based on whether the variance is a debit or credit.

Reconciliation

IESO RPP True-up

Actual data must be used to perform RPP settlement true-up claims with the IESO once it is available. The most recent initial RPP settlement claim for the trade month must be reversed and an updated RPP settlement claim must be calculated. The net difference between the most recent RPP settlement claim and the updated RPP settlement claim must be trued up with the IESO through an adjustment made to the RPP settlement claim the next month.

Two RPP settlement true-up claims are to be performed:

1. The first true-up is done the **month following** the initial RPP settlement claim. This would true-up:
   a. GA 2nd estimate price with the actual GA price
   b. Estimated wholesale power cost to actual at the HOEP

2. The second true-up claims is done **two months following** the initial RPP settlement claim. This would true-up:
   a. Estimated kWh sales volumes to actuals

Example: For January Consumption

January	***February***	***March***
ESTIMATES	***1st TRUE-UP***	***2nd TRUE-UP***
Consumption Volume • *RPP TOU* • *Non-RPP* *Average Energy Price for RPP*	*GA 2nd estimate to GA Actual* *Estimated to actual wholesale power cost at HOEP*	*Estimated to actual kWh volumes for RPP*

Rate – GA 2nd estimate

IESO Entry:

Variances identified from true-up analysis would be added to monthly IESO filing amounts.

Accounting Entry:

Variances will be incorporated as part of the IESO invoice, therefore, a separate accounting journal entry would not be required.

Internal GA True-up

Actual calendar month kWh consumption sales volumes for RPP and Non-RPP customers must be used to update the apportionment of the wholesale kWh purchase volumes to the appropriate commodity variance account. Once actual data is available, distributors are to journalize the differences between the two cost accounts 4705 and 4707.

One Non-RPP GA true-up claim is to be performed internally:

1. The true-up is done **two months following** the initial RPP settlement claim. This would true-up:
    a. The estimated ratio of Non-RPP Cost of GA (25% allocated to 1.10.4707.000.800) with the actuals.

    To determine the variance amount, the following will be calculated:

    i. Total billed consumption – total negate billed consumption = net GA Non-RPP
    ii. Total GA ($) + total negate GA ($) = net GA Non-RPP
    iii. Net GA Non-RPP Consumption x IESO actual GA/1,000 ($) = Actual Non-RPP GA
    iv. Variance = iii. (above) – ii. (above)

Note:

- Because the 1st estimate rate is updated at the first of each month in the NS CIS, calendar month prorated usage by bill code date is stored in the pu_stats table.
- Only the global adjustment negate stat codes are used as this represents RPP billed customers.
- The estimated ratio is 25% Non-RPP to 75% RPP customers, which will be reviewed annually.

IESO Entry:

There is no IESO entry required for the GA allocation.

Accounting Entry:

Based on the variance calculated above, an entry is required to adjust for the actual proportion of costs allocated between RPP and non-RPP customers within the GL accounts.

The entry would debit/credit the following accounts:

- **1.10.4707.000.800** (IESO Global Adjustment Class B) **(1589)**
- **1.10.4705.900.000** (Power Purchased) **(1588)**

The set-up of the entry will depend on whether the allocations are under or over estimated.

Example:

1.10.4707.000.800 ((IESO Global Adjustment Class B)	$1,000 DR	
1.10.4705.900.000 (Power Purchased)		$1,000 CR

To adjust allocation of CT 148 per IESO bill relating to actual RPP and Non-RPP kWh proportions.

Note: The entry above will adjust the 1588/1589 accounts when the RSVA entries are calculated and posted.

Note that actual calendar month customer kWh sales volumes adjusted for the relevant Total Loss Factor (TLF) will not be the same as purchased volumes from the IESO. Differences exist between actual system losses and TLF billed to customers. The resulting differences are defined as unaccounted for energy (UFE) and such differences will be tracked in Account 1588 – RSVA power and Account 1589 – RSVA GA.

Appendix I

Estimates for kWh consumption volume data

1. Usage data files are received from Savage for the month
2. Total Net System Load Shape (NSLS) for the month calculated using:
    a. Actual NSLS data for the first half of the month plus;
    b. Calculated NSLS using actual interval metered consumption (not adjusted by a loss factor) less interval metered customer consumption for the remaining half of the month
3. To determine RPP consumption, deduct consumption of Non-RPP in NSLS for the month. Calculated as:
    a. Pass through customer consumption plus;
    b. Retailer consumption (previous month)
4. RPP consumption amount is then allocated to TOU periods:
    a. On-peak, Mid-peak and Off-peak percentages for the month are calculated based on Smart Meter unbilled data from Savage for the month

b. RPP consumption is prorated based on calculated TOU percentages

Appendix II

Rates/pricing and unit cost data

- Each of the three RPP TOU periods use ACTUAL rates
- Estimated average energy price for RPP customers:
  - WAP without GA calculated as:
    - Total market price costs calculated as sum of Hourly Ontario Energy Price (HOEP) x Hourly kWh consumption for each period (hourly)
    - Total market price costs (calculated above) is then divided by estimated NSLS consumption for the month
  - WAP with GA calculated as:
    - Total market price costs calculated as sum of Hourly Ontario Energy Price (HOEP) + 2nd estimate preliminary global adjustment rate x Hourly kWh consumption for each period (hourly)
    - Total market price costs (calculated above) is then divided by estimated NSLS consumption for the month
- GA 2nd Estimate
  - From IESO website