



DECISION ON ACCOUNTING ORDERS

EB-2020-0194

HYDRO ONE NETWORKS INC.

**2017- 2022 Transmission Revenue Requirement and Charge Determinants and
2018-2022 Distribution Revenue Requirement and Rates, Remittal of Future Tax
Savings Issue**

BEFORE: Lynne Anderson
Presiding Chief Commissioner

Michael Janigan
Commissioner

Robert Dodds
Commissioner

June 10, 2021



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1 INTRODUCTION

On May 27, 2021, the Ontario Energy Board (OEB) issued a Decision and Interim Rate Order and Revenue Requirement and Charge Determinant Order arising from the approval of a refund from ratepayers to Hydro One Networks Inc. (Hydro One) related to taxes for the transmission and distribution businesses of Hydro One for the period 2017 to 2022.

Among other things, the OEB made findings with respect to the draft accounting orders proposed by Hydro One. The OEB agreed with the revised names for the sub-accounts to manage the recovery of the tax amounts in the draft accounting orders. However, the OEB deferred its approval of the accounting orders until after Hydro One reported back on whether there is a consensus with OEB staff on the proposed journal entries.

Hydro One was directed to meet with OEB staff and report back to the OEB on whether or not there was agreement on the appropriate journal entries for the accounting orders by June 10, 2021.

On June 8, 2021, Hydro One advised the OEB that it reached a consensus with OEB staff on the proposed journal entries for the two accounts and filed revised draft accounting orders for these two accounts.

2 FINDINGS

The OEB approves the two revised accounting orders filed by Hydro One. Hydro One and OEB staff were able to reach consensus on the journal entries, and the OEB agrees that these are appropriate. The OEB also approves the transmission accounting order as filed by Hydro One in its Draft Rate Order.¹ The wording of this order was unchanged as a result of the discussions between Hydro One and OEB staff. The OEB agrees that the amendments provide greater clarity and are appropriate.

The approved accounting orders are attached as Schedules A, B and C.

¹ Filed April 22, 2021

3 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Accounting Orders attached as Schedules A, B and C to this Decision are approved.

DATED at Toronto June 10, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A
DECISION ON ACCOUNTING ORDERS
HYDRO ONE NETWORKS INC.
EB-2020-0194
JUNE 10, 2021

1 **HYDRO ONE DISTRIBUTION ACCOUNTING ORDER**
2 **ACCOUNT 1595 - DISPOSITION AND RECOVERY/REFUND OF**
3 **REGULATORY BALANCES, SUB-ACCOUNT PRINCIPAL BALANCES OF**
4 **MISALLOCATED FUTURE TAX SAVINGS**

5
6 Hydro One Distribution proposes the establishment of a new **Account 1595 –**
7 **Disposition and Recovery/Refund of Regulatory Balances, Sub-account Principal**
8 **Balances of Misallocated Future Tax Savings** to track the difference between the
9 amount of Misallocated Future Tax Savings approved in EB-2020-0194 and the amount
10 recovered during the period of July 1, 2021 - June 30, 2023. The account will be
11 established effective July 1, 2021.

12
13 Hydro One Distribution will record interest on the outstanding balance of the
14 Misallocated Future Tax Savings over the recovery period and up until any residual
15 balance remains in **Account 1595 – Disposition and Recovery/Refund of Regulatory**
16 **Balances, Sub-account Principal Balances of Misallocated Future Tax Savings**, using
17 the prescribed CWIP interest rate set by the Board in the Carrying Cost Differential
18 Account.¹

¹ This is an account with a separate Accounting Order – please refer to Exhibit 1.2.

The following outlines the initial entries into the Rider Account:

<u>USofA #</u>	<u>Account Description</u>
DR. 1595	Account 1595 – Disposition and Recovery/Refund of Regulatory Balances, Sub-account Principal Balances of Misallocated Future Tax Savings
CR. 6110	Income Taxes (Tax Expense)
CR. 4405	Interest and Dividend Income

The following outlines the proposed accounting entries for this Rider account, as the
Misallocated Future Tax Saving are billed:

<u>USofA #</u>	<u>Account Description</u>
DR. 1100	Customer Accounts Receivable
CR. 4080	Distribution Revenues
DR. 6110	Income Taxes (Tax Expense)
CR. 1595	Account 1595 – Disposition and Recovery/Refund of Regulatory Balances, Sub-account Principal Balances of Misallocated Future Tax Savings (Drawdown)
DR. 4405	Interest and Dividend Income
CR. 1595	Account 1595 – Disposition and Recovery/Refund of Regulatory Balances, Sub-account Principal Balances of Misallocated Future Tax Savings (Drawdown)

Monthly entry to record the Misallocated Future Tax Savings billed to ratepayers.

SCHEDULE B
DECISION ON ACCOUNTING ORDERS
HYDRO ONE NETWORKS INC.
EB-2020-0194
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HYDRO ONE DISTRIBUTION ACCOUNTING ORDER
ACCOUNT 1595 - DISPOSITION AND RECOVERY/REFUND OF
REGULATORY BALANCES, SUB-ACCOUNT MISALLOCATED FUTURE TAX
SAVINGS CARRYING CHARGES

Hydro One Distribution proposes the establishment of a new **Account 1595 – Disposition and Recovery/Refund of Regulatory Balances, Sub-account Misallocated Future Tax Savings Carrying Charges** to record the carrying charge on the outstanding principal balance (which excludes accrued interest up to June 30, 2021) of the Misallocated Future Tax Savings over the recovery period. The account will be established effective July 1, 2021.

Hydro One Distribution will record interest on the outstanding principal balance of the Misallocated Future Tax Savings over the recovery period and up until any residual balance remains in **Account 1595 – Disposition and Recovery/Refund of Regulatory Balances, Sub-account Principal Balances of Misallocated Future Tax Savings**, using the prescribed CWIP interest rate set by the Board. Simple interest will be calculated on the opening monthly outstanding principal balance of the Misallocated Future Tax Savings until the outstanding balance is fully disposed.

The following outlines the proposed accounting entries for this account.

<u>USofA #</u>	<u>Account Description</u>
DR. 1595	Account 1595 – Disposition and Recovery/Refund of Regulatory Balances, Sub-account Misallocated Future Tax Savings Carrying Charges
CR. 4405	Interest and Dividend Income

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Exhibit 1.2
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- 1 To record interest improvement on the outstanding principal balance of the Misallocated
- 2 Future Tax Savings.

SCHEDULE C
DECISION ON ACCOUNTING ORDERS
HYDRO ONE NETWORKS INC.
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HYDRO ONE TRANSMISSION ACCOUNTING ORDER
CARRYING COST DIFFERENTIAL ACCOUNT

Hydro One Transmission proposes the establishment of a new “Carrying Cost Differential Account” to Record the monthly carrying charge on the outstanding principal balance of the misallocated Future Tax Savings over the recovery period.

The account will be established as Account 1508, Other Regulatory Assets – Sub-Account “Future Tax Savings” effective July 1, 2021. Hydro One Transmission will record interest on the outstanding balance of the misallocated Future Tax Savings over the recovery period using the prescribed CWIP interest rate set by the Board. Simple interest will be calculated on the opening monthly outstanding balance of the misallocated Future Tax Savings until the outstanding balance is fully disposed.

The following outlines the proposed accounting entries for this account.

<u>USofA #</u>	<u>Account Description</u>
DR. 1508	Other Regulatory Assets – Sub-Account “Future Tax Savings”
CR. 4405	Interest and Dividend Income

To record interest improvement on the remaining balance of the misallocated Future Tax Savings.