

Draft Accounting Order – 2435 – Accrued Rate-Payer Benefit

In accordance with the Handbook to Electricity Distributor and Transmitter Consolidations, LDC Amalco proposes the establishment of a new variance account “2435 Accrued Rate-Payer Benefit” to record the 50% sharing with customers of the amount, if any, of the achieved regulated earnings of LDC Amalco that are greater than 300 basis points above the allowed regulated rate of return for Years 6 to 10 of the rebasing deferral period.

The assessment of earnings will commence with the availability of the Year 6 audited financial results and will continue to be reviewed and computed on an annual basis. Excess earnings beyond 300 basis points of the consolidated entity’s allowed regulated rate of return (“allowed ROE”) will be shared 50:50 with all customers annually.

The regulatory net income and regulated return on equity (“ROE”) would be computed based on LDC Amalco’s annual audited financial results, adjusted for any revenue and expenses that are not otherwise included for regulatory purposes, consistent with the Board’s current established regulated ROE model under the Board’s Reporting and Record Keeping requirements. Under this methodology, the actual regulated ROE is calculated by dividing adjusted regulatory net income by the deemed equity component of rate base.

LDC Amalco’s allowed ROE would be computed based on the approved ROE percentages weighted by the deemed equity component of rate base for Brantford Power and Energy+. The ROE percentages and equity component of rate base would be based on figures from the last cost of service (2022 for Brantford Power, 2019 for Energy+). With this approach the approved ROE on which to base the ESM would be 8.86%.

The following outlines the proposed accounting entries for this deferral account:

Debit	Account 4395 Rate-Payer Benefit Including Interest
Credit	Account 2435 Accrued Rate-Payer Benefit

To record the 50% sharing with customers of the amount, if any, of the achieved regulated earnings of LDC Amalco that are greater than 300 basis points above the allowed regulated rate of return for Years 6 to 10 of the rebasing deferral period.

Debit	Account 4395	Rate-Payer Benefit Including Interest
Credit	Account 2435	Accrued Rate-Payer Benefit

To record interest accrued on the principal balance of the Earnings Sharing Variance Account.

Draft Accounting Order – 1508 – Other Regulatory Assets, Sub Account Impact of Post-Merger Accounting Policy Changes

LDC Amalco shall establish and use Account 1508 Other Regulatory Assets, sub account Impact of Post-Merger Accounting Policy Changes to record the cumulative difference between Brantford Power’s net property, plant and equipment (“PP&E”) under the pre-merger capitalization policy and its net PP&E under the post-merger capitalization policy. The determination of differences will be consistent with the Account 1576 approach.

The cumulative difference recorded in this account will be reviewed at LDC Amalco’s 2024 IRM Application for materiality. Should the balance be below the materiality of \$295,000, the account will be closed without disposition and no further entries will be required.

If the account balance meets the materiality threshold, a journal entry to record the variance will be recorded each year, until the next cost of service rebasing year at which time the cumulative variance will be recovered from, or refunded to, customers in the Brantford Power’s rate zone. Upon disposition of the balance in the deferral account, a rate of return component will be applied to the balance based on the disposition period to determine the amount to be used to calculate rate riders. The weighted average cost of capital to be used and rate of return component will be determined at the time the accounts are disposed. Interest carrying charges will not be applied to this account.

The net change in PP&E will be recorded to Account 1508 - Other Regulatory Assets, Sub Account Impact of Post-Merger Accounting Policy Changes, and the offsetting entry will be recorded to Account 4305 – Regulatory Debit or Account 4310 – Regulatory Credit depending on the direction of the net PP&E change. Utilizing Account 1508 instead of Account 1576 will provide a delineation between existing balances in Account 1576 related to IFRS/CGAAP transition amounts and allow for simplified tracking in annual record keeping submissions.

The following outlines an illustrative example of the proposed accounting entries for this deferral account:

**Illustrative Example - Account 1508 Other Regulatory Assets, sub account
 Impact of Post-Merger Accounting Policy Changes**

	<u>2021</u>	<u>2022</u>	<u>2023*</u>
PP&E Values Under Pre-Merger Accounting Policies			
Opening net PP&E	\$ 1,000.00	\$ 1,056.00	\$ 1,152.00
Additions	\$ 100.00	\$ 144.00	\$ 148.00
Depreciation (current depreciation policy)	-\$ 44.00	-\$ 48.00	-\$ 52.00
Closing net PP&E	\$ 1,056.00	\$ 1,152.00	\$ 1,248.00

PP&E Values Under Post-Merger Accounting Policies			
Opening net PP&E	\$ 1,000.00	\$ 1,056.00	\$ 1,156.00
Additions (assume 10% lower capitalization)	\$ 100.00	\$ 130.00	\$ 133.00
Depreciation (assume longer useful lives)	-\$ 44.00	-\$ 30.00	-\$ 32.00
Closing net PP&E	\$ 1,056.00	\$ 1,156.00	\$ 1,257.00

Difference in closing Net PP&E	\$ -	-\$ 4.00	-\$ 9.00
---	-------------	-----------------	-----------------

**Account 1508 Other Regulatory Assets, sub account Impact of Post-Merger
 Accounting Policy Changes**

Opening Balance	\$ -	\$ -	-\$ 4.00
Annual Additions	\$ -	-\$ 4.00	-\$ 5.00
Closing DVA Balance	\$ -	-\$ 4.00	-\$ 9.00

Sample Journal Entries

	<u>Debit</u>	<u>Credit</u>
2022		
Debit Account 4305	\$ 4.00	
Credit Account 1508		\$ 4.00

To record differences arising from adoption of E+ Accounting Policies

2023*		
Debit Account 4305	\$ 5.00	
Credit Account 1508		\$ 5.00

To record differences arising from adoption of E+ Accounting Policies

*per OEB Decision in EB-2021-0280 Dated March 17, 2022, Account will be closed if balance does not exceed materiality.