

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, and will capture differences caused by changes to the depreciation and capitalization policies of Brantford Power.

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.

This sub-account will be effective on the date of the merger transaction between Brantford Power and Energy+, currently anticipated to be May 2, 2022.

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
<i>To record differences arising from adoption of E+ Accounting Policies</i>		
2023*		
Debit Account 4305	\$ 5.00	
Credit Account 1508		\$ 5.00
<i>To record differences arising from adoption of E+ Accounting Policies</i>		

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