Ontario Energy Board | Commission de l'énergie de l'Ontario

ACCOUNTING ORDER

EB-2021-0280

BRANTFORD POWER INC. AND

ENERGY+ INC

Application for approval to amalgamate and continue operations as a single electricity distribution company

BEFORE: Lynne Anderson
Presiding Commissioner

Robert Dodds
Commissioner

April 21, 2022

Ontario Energy Board | Commission de l'énergie de l'Ontario

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1 OVERVIEW

This is the Accounting Order of the Ontario Energy Board (OEB) regarding draft accounting orders filed by Brantford Power Inc. (Brantford Power) and Energy+ Inc. (Energy+) (collectively, the Applicants).

On November 1, 2021, the Applicants filed an application for OEB approval of the amalgamation of Brantford Power and Energy+. On March 17, 2022, the OEB issued a Decision and Order that approved the amalgamation and ordered that the Applicants file an updated accounting order for Account 2435 – Accrued Rate-Payer Benefit relating to the earnings sharing mechanism (ESM) and a draft accounting order to track the rate base impact arising from Brantford Power's adoption of Energy+'s accounting policies.

OEB staff submitted comments on the draft accounting orders and the Applicants agreed with OEB staff's submissions. The OEB has reviewed the draft accounting orders and approves the accounting orders set out in Schedule A of this Decision and Order.

2 DECISION

On March 31, 2022, the Applicants filed an updated draft accounting order for Account 2435 – Accrued Rate-Payer Benefit relating to the ESM and an accounting order for Account 1508 - Other Regulatory Assets, Sub Account Impact of Post-Merger Accounting Policy Changes for an account to track the rate base impact arising from Brantford Power's adoption of Energy+'s accounting policies.

On April 5, 2022, OEB staff submitted the following regarding the 1508 sub-account:

- The accounting order should be revised to include references to changes to depreciation policy as well as changes to capitalization policy.
- The accounting order should include an effective date for the account coinciding with the merger date.
- The reference to "rate of return component" should be replaced with "return component".

OEB staff had no comments on Account 2435.

The Applicants agreed with OEB staff's submission and refiled a draft accounting order for the 1508 sub-account.

Findings

The OEB approves the accounting orders set out in Schedule A of this Decision and Order.

3 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Brantford Power Inc. and Energy+ Inc. shall establish the Accrued Rate-Payer Benefit Account and Impact of Post-Merger Accounting Policy Changes Account as set forth in Schedule A.

DATED at Toronto April 21, 2022

ONTARIO ENERGY BOARD

Nancy Marconi

Digitally signed by Nancy Marconi
Date: 2022.04.21 10:18:42 -04'00'

Nancy Marconi
Registrar

SCHEDULE A

ACCOUNTING ORDER

BRANTFORD POWER INC. AND ENERGY+ INC.

EB-2021-0280

APRIL 21, 2022

Brantford Power Inc. and Energy+ Inc.
Accounting Order
Account 2435 – Accrued Rate-Payer Benefit

In accordance with the Handbook to Electricity Distributor and Transmitter Consolidations, a new variance account “2435 Accrued Rate-Payer Benefit” is established 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 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.

Brantford Power Inc. and Energy+ Inc.
Accounting Order
Account 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 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 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

	2021	2022	2023
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	$ 100.00	$ 136.00	$ 133.00
Depreciation (current depreciation policy)	-$44.00	-$ 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	Debit	Credit
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 close if balance does not exceed materiality.