



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

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# **FINAL RATE ORDER**

**EB-2024-0092**

## **ONTARIO ENERGY BOARD**

**Extended Horizons Variance Account**

**BEFORE: Lynne Anderson**  
Chief Commissioner

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**March 20, 2025**



## TABLE OF CONTENTS

<b>1</b>	<b>RATE ORDER .....</b>	<b>1</b>
<b>2</b>	<b>IMPLEMENTATION .....</b>	<b>4</b>
<b>3</b>	<b>ORDER .....</b>	<b>5</b>
	<b>SCHEDULE A.....</b>	<b>6</b>

# 1 RATE ORDER

The Ontario Energy Board (OEB) is establishing, on its own motion, a generic deferral and variance account – the Extended Horizons Variance Account. This variance account allows rate-regulated electricity distributors to record the incremental revenue requirement impacts resulting from reductions in the forecasted customer capital contributions embedded in distribution rates. These reductions arise from the extensions of the connection horizon and revenue horizon for customer connections meeting the criteria described in the version of Appendix B of the Distribution System Code that came into force on December 23, 2024.

The OEB's *Distribution System Code* (DSC) provides that:

If a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor shall perform an initial economic evaluation based on estimated costs and forecasted revenues, as described in Appendix B, of the expansion project to determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project.<sup>1</sup>

[Appendix B](#) to the DSC sets out the methodology and assumptions for economic evaluations, and includes provisions related to customer connection horizons and customer revenue horizons. Those horizons may be described as follows:

- Connection Horizon: The period during which the infrastructure is built, and customers are connected.
- Revenue Horizon: The timeframe over which the expected revenues from the new connections will be realized.

On December 23, 2024, the OEB issued a final [Notice of Amendments](#) to the DSC, which included amendments to the connection and revenue horizon provisions of Appendix B. Prior to the amendments, the connection horizon was five years for all types of new connections, with distributors having the discretion to extend the five-year connection horizon on a case-by-case basis. The maximum customer connection horizon was 25 years. Within that maximum, distributors had the discretion to set

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<sup>1</sup> [Distribution System Code](#), s.3.2.1

different revenue horizons for different customer types based on the risk of the customer remaining connected.

The amendments are intended to facilitate the connection of housing developments by extending the connection horizon to a maximum of 15 years for qualifying housing developments and the revenue horizon to 40 years for connections of the residential customers and properties described in the amendments. These extensions apply to connections where an initial offer to connect had not been accepted by the developer or other customer on or before November 18, 2024.

The changes to the connection and revenue horizons impact the economics of expansion projects as they directly affect the calculation of capital contribution and expansion deposit amounts. As noted in the OEB's [Report](#) to the Minister of Energy and Electrification,<sup>2</sup> the extension of the connection and revenue horizons is expected to lower the capital contributions required for new residential customer connections, thereby increasing the amount that distributors will need to fund through existing rates.

In its November 18, 2024 [Notice of Proposal](#) to amend the DSC, the OEB indicated that the decrease in capital contribution amounts would need to be financed through a distributor's capital budget, which may require the OEB to address changes in a distributor's capital needs through existing mechanisms. The final Notice of Amendments includes a summary of stakeholder comments received on the OEB's November 18, 2024 [Notice of Proposal](#) to amend the DSC. Stakeholders were generally supportive of the proposed connection and revenue horizon extensions. However, a number of stakeholders raised concerns regarding the financial implications of the proposed amendments and risks for ratepayers and other parties. Specifically, some stakeholders highlighted that extending the horizons could lower the capital contribution amounts, and thus increase the amount distributors fund through existing rates. Some suggested the establishment of an industry-wide deferral or variance account to manage the financial impacts of the DSC changes. In the final Notice, the OEB advised that while creating a generic deferral or variance account was outside the scope of the code amendment process, the OEB remained open to its development and would consider it further. In this Rate Order, the OEB is establishing the Extended Horizons Variance Account.

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<sup>2</sup> Ontario Energy Board Report Back to the Minister on System Expansion for Housing Developments, June 28, 2024

This Rate Order is being issued without a hearing pursuant to its authority under section 19(4) of the *Ontario Energy Board Act, 1998*, to establish accounting orders.

## 2 IMPLEMENTATION

The Extended Horizons Variance Account is effective November 18, 2024.

The OEB is categorizing the Extended Horizons Variance Account as a Group 2 variance account, as defined in the OEB report on Electricity Distributors' Deferral and Variance Account Review Initiative.<sup>3</sup>

The OEB will assess any claimed costs recorded in the account at the time the disposition of the account balances is requested. As a Group 2 account, disposition of prudently incurred, material balances can be sought as part of a distributor's next cost-based rate application. If the balance is not material, the OEB expects that no disposition will be sought.<sup>4</sup>

The OEB also expects that distributors will, as part of their next cost-based rate application, incorporate the impact of the expansions of the horizons into their forecast for the test year and beyond. As such, the OEB does not anticipate that distributors will require the Extended Horizons Variance Account beyond their next cost-based rate applications.

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<sup>3</sup> [Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative](#), July 31, 2009, p. 11

<sup>4</sup> Filing Requirements for Electricity Distribution Rate Applications - 202 Edition for 2024 Rate Applications, Chapter 2 Cost of Service, December 15, 2022, p. 60

### **3 ORDER**

#### **THE ONTARIO ENERGY BOARD ORDERS THAT:**

1. The attached accounting order (Schedule A to this Rate Order) is approved.

**DATED** at Toronto March 20, 2025

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar

**SCHEDULE A**  
**ACCOUNTING ORDER**  
**ONTARIO ENERGY BOARD**  
**EB-2024-0092**  
**MARCH 20, 2025**



**ELECTRICITY DISTRIBUTOR ACCOUNTING ORDER  
ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT  
EXTENDED HORIZONS VARIANCE ACCOUNT**

The Extended Horizons Variance Account is established to record the incremental revenue requirement impact resulting from reductions in the forecasted customer capital contributions embedded in distribution rates that arise from the OEB's December 23, 2024 amendments to the *Distribution System Code* (DSC). In those amendments, the OEB extended the connection horizon and revenue horizon for customer connections meeting the criteria described in the version of Appendix B to the DSC that came into force on December 23, 2024.

Rate-regulated electricity distributors may establish the following two new accounts, effective November 18, 2024:

1. Account 1508 - Other Regulatory Assets, Sub-account Extended Horizons Variance Account, Incremental Revenue Requirement Impact
2. Account 1508 - Other Regulatory Assets, Sub-account Extended Horizons Variance Account, Carrying Charges

The generic variance account applies only to the forecasted connections that are currently embedded in distribution rates and eligible for the extension of connection and revenue horizons.

Carrying charges will apply at the OEB's prescribed rates for deferral and variance accounts that are published on the OEB's website on a quarterly basis.<sup>5</sup>

A distributor may bring forward prudently incurred, material amounts recorded in the Extended Horizons Variance Account for review and disposition as part of its next cost-based rate application. The OEB will assess any claimed costs recorded in the account at the time the disposition of the account balances is requested.

Distributors are expected to track the amounts recorded in the variance account at a sufficiently detailed level to assist in a prudence review of the costs incurred. Distributors are also expected to provide the revenue requirement impact calculation to support the amount recorded in the account.

The OEB expects that any distributor with a balance in the Extended Horizons Variance Account will, as part of its next cost-based rate application, incorporate the impact of the expansions of the horizons into its forecast for the test year and beyond. As such, the

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<sup>5</sup> Per the OEB's [Prescribed Interest Rates](#) webpage

OEB does not anticipate that distributors will require the Extended Horizons Variance Account beyond their next cost-based rate applications.

**Sample Journal Entries:**

Dr. 1508 Other Regulatory Assets, Sub-account Extended Horizons Variance,  
Incremental Revenue Requirement Impact

Cr. 4080 Distribution Services Revenue

*To record incremental revenue requirement impact associated with the reductions in the forecasted customer capital contributions embedded in distribution rates arising from horizons expansion, if applicable.*

Dr. 1508 Other Regulatory Assets, Sub-account Extended Horizons Variance, Carrying  
Charges

Cr. 6035 Other Interest Expense

*To record the carrying charges on the monthly opening balance in Account 1508 Other Regulatory Assets, Sub-account Extended Horizons Variance, Incremental Revenue Requirement Impact*