

SCHEDULE B
FINAL RATE ORDER
TORONTO HYDRO-ELECTRIC SYSTEM LTD.
ACCOUNTING ORDERS
EB-2023-0195
DECEMBER 12, 2024

DRAFT ACCOUNTING ORDERS

Revenue Variance Account (“RVA”) – Draft Accounting Order

Toronto Hydro shall establish a variance account (Account 1508 – Revenue Variance Account) to record the asymmetrical revenue variances between forecasted and actual distribution revenue based on weather-normalized billing determinants.

To establish annual credit entries to the RVA, Toronto Hydro will compare the forecast billing determinants with actual weather-normalized billing determinants for each rate class to calculate the distribution revenue variance for each rate class, and determine the total net distribution revenue variance for the year in question. Where the total net distribution revenue variance is positive, this amount will be entered as a credit to the RVA (i.e. refund to ratepayers). Where the total net distribution revenue variance is negative, no entry will be made to the RVA.

For disposition purposes, the balance in the RVA will be allocated to each rate class on the basis of each rate class’ portion of the prior year’s actual weather-normalized total distribution revenue. Rate riders will be derived on the basis of the balance allocated to each rate class and the forecast billing determinants for each rate class for the year of disposition.

The Parties agree that Toronto Hydro will seek disposition of balances annually (on an interim basis) based on the share of prior year of weather normalized distribution revenue, so that accumulated credit balances in this asymmetrical account can be returned to customers expeditiously. Toronto Hydro will seek final disposition at its next rebasing application for any amounts disposed of on an interim basis.

The amounts in Table 6 of the Settlement Proposal against which variances will be calculated each year will be adjusted by applying the OEB inflation factor for the year in question. This account will be disposed on an interim basis through the 2027-2029 annual rate update application process.

Carrying charges will apply to the opening balances in the account (exclusive of accumulated interest) at the OEB-approved rate for deferral and variance accounts.

Toronto Hydro shall establish the following variance accounts effective January 1, 2025 to record the amounts described above:

- Account 1508, Other Regulatory Assets, Subaccount Revenue Variance Account
- Account 1508, Other Regulatory Assets, Subaccount Revenue Variance Account Carrying Charges

The sample accounting entries for the variance accounts are provided below:

- A. To record the asymmetrical difference (in favor of ratepayers) between the forecasted distribution revenue and the actual distribution revenue collected based on weather-normalized billing determinants each year:
- DR 4080 Distribution Services Revenue
 - CR 1508 Other Regulatory Assets, Subaccount Revenue Variance Account
- B. To record the carrying charges in subaccount Revenue Variance Account:
- DR 6035 Other Interest Expense
 - CR 1508 Other Regulatory Assets, Subaccount Revenue Variance Account Carrying Charges