



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

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## FINAL RATE ORDER

**EB-2024-0092**

**ONTARIO ENERGY BOARD**

**Capacity Allocation Model Related Deferral and Variance Accounts**

**BEFORE: Allison Duff**  
Commissioner

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**December 23, 2025**



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## 1 OVERVIEW

The Ontario Energy Board (OEB) is establishing, on its own motion, generic deferral and variance accounts (DVAs) for electricity distributors to track the capital costs, customer capital contributions and financing charges related to the Capacity Allocation Model (CAM).

The CAM introduces a structured framework for allocation of capacity and associated costs for system expansion in qualifying development areas. It is designed to address the challenges posed by large, multi-developer residential developments that require coordinated and forward-looking planning. The OEB indicated that it would issue an accounting order for generic CAM-related DVAs.<sup>1</sup>

The generic DVAs established in this Rate Order will allow rate-regulated electricity distributors to record the revenue requirement impacts associated with capital assets constructed under the CAM, as well as capital contributions and financing charges collected from customers over the CAM term. If an electricity distributor believes that a distributor-specific DVA is warranted due to unique circumstances, the distributor may apply to the OEB for approval of such an account.

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<sup>1</sup> EB-2024-0092, OEB Guidance on Implementation of the Capacity Allocation Model for Housing Development, September 18, 2025, p.1.

## 2 RATE ORDER

On June 16, 2025, the OEB issued a final [Notice of Amendments](#) to the *Distribution System Code*, which established the CAM. The related provisions – new Section 3.2A and Appendix I of the *Distribution System Code* – came into force on September 16, 2025 provide in part, that:

Where a distributor determines that an expansion of its distribution system is needed to serve a qualifying development area, the distributor may establish a capacity allocation model in accordance with the methodology and requirements of Appendix I to allocate capacity and costs associated with that expansion.<sup>2</sup>

[Appendix I](#) to the *Distribution System Code* sets out the methodology for implementing a CAM, and includes provisions related to customer capital contributions and financing charges. Appendix I, Section 3.2A, and the amendment to section 3.2.1 came into force on September 16, 2025.<sup>3</sup>

The *Distribution System Code* requires distributors to undertake an economic evaluation to determine whether the project pays for itself based on future revenues from the customer. If not, the customer will need to provide a capital contribution equal to the difference between the net present value of the cost for the expansion work and the future distribution revenues from the customer. Under this rule, the initial customer (often a developer) may bear the entire upfront cost of the expansion to serve the new development area, with the potential for rebates from additional connecting customers, even though it will only require a portion of the capacity needed to supply the area.

The amendments are intended to facilitate the connection of housing developments by allocating costs of large expansions based on a customer's requested capacity needs and recognizes that connections in a qualifying development area, to which the CAM applies, will occur over the term of the CAM (up to 15 years).

The establishment of a CAM impacts the economics of expansion projects as customer capital contributions may be collected over multiple years rather than upfront, increasing the distributor's initial funding requirements. Any customer making a contribution after the first year will be required to pay a financing charge. This financing charge will

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<sup>2</sup> [Distribution System Code](#), s.3.2A.2

<sup>33</sup> *Ibid*, p. 23.

reimburse the distributor (and ultimately the ratepayer) for the carrying costs related to the expansions, which will become part of the distributor's regulated assets.

On September 18, 2025, the OEB issued a letter providing guidance on the implementation of the [CAM for housing developments](#). In that letter, the OEB stated that it intends to establish generic DVAs to track CAM-related costs, customer capital contributions and financing charges.

The September 18, 2025 letter also indicated that if a distributor believes that a distributor-specific DVA is warranted due to unique circumstances, the distributor may apply to the OEB for approval of such an account. The OEB is providing electricity distributors with a choice, after determining that an expansion of its distribution system is needed to serve a qualifying development area. A distributor-specific DVA would be unique, require further OEB approvals and an accounting order.

In this Rate Order, the OEB is establishing the generic CAM-related DVAs effective September 16, 2025. The OEB is categorizing the CAM-related DVAs as Group 2 accounts, as defined in the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative*.<sup>4</sup>

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

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<sup>4</sup> [Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative](#), July 31, 2009, p. 11.

### 3 IMPLEMENTATION

The approved Accounting Order for the CAM-related DVAs is provided in Schedule A. The CAM-related DVAs are effective September 16, 2025. The OEB is categorizing the CAM-related DVAs as Group 2 accounts, as defined in the *Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative*.<sup>5</sup>

The OEB expects that a distributor that uses these generic DVAs for its CAM will, as part of its next rate application (cost-based rate application, incentive rate application or stand-alone application), provide a proposal of how to incorporate the impact of the CAM into its forecast for the test year and beyond in its next cost-based application.

The OEB is establishing the following generic DVAs to track the CAM-related capital costs, contributions and financing charges:

- Account 1508 Other Regulatory Assets, Sub-account CAM Assets Capital Costs
- Account 1508 Other Regulatory Assets, Sub-account CAM Assets Depreciation
- Account 1508 Other Regulatory Assets, Sub-account CAM Assets Accumulated Depreciation
- Account 1508 Other Regulatory Assets, Sub-account CAM Capital Contributions
- Account 1508 Other Regulatory Assets, Sub-account CAM Capital Contributions – Amortization
- Account 1508 Other Regulatory Assets, Sub-account CAM Capital Contributions – Accumulated Amortization
- Account 1520 CAM Financing Charges

#### Reporting

Under section 2.1.7 of the OEB's *Electricity Reporting and Record Keeping Requirements* (RRR), distributors are required to report annually on the balances in these DVAs. The relevant RRR forms will be updated to include the deferral accounts referred to in this Order and distributors should start reporting any balances in these accounts effective for the year ending December 31, 2025.

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<sup>5</sup> [Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative](#), July 31, 2009, p. 11

## Carrying Charges

No carrying charges will be applied to financing charges related to the CAM. Also, no carrying charges will be applied to the CAM capital expenditures and contribution accounts.

## Other

The Accounting Order does not preclude distributors from requesting additional DVAs (for example for revenues), besides the generic CAM-related DVAs in Schedule A, if they can demonstrate the likelihood of large cost impact on their business and financing capabilities. Distributors are expected to track costs at a sufficiently detailed level or categories to assist in a review of the prudence of the costs incurred and tracked in the CAM DVAs. Any such request will be subject to OEB review and approval.

Subject to the OEB's materiality threshold, a distributor may seek revenue requirement treatment for CAM assets before rebasing (via a standalone or IRM application) or in its rebasing (Cost of Service) application. Distributors must file the revenue requirement and propose the implementation mechanism in the application.

For distributor-specific DVAs, distributors shall explain why generic DVAs alone cannot meet their needs in their applications (stand-alone, part of IRM or part of rebasing applications).

The OEB will assess the balances recorded in these sub-accounts, including the appropriate revenue requirement treatment if applicable, when requests are made for disposition of these sub-account balances, and the requests will be subject to the usual causation, materiality, and prudence criteria<sup>6</sup>.

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<sup>6</sup> Filing Requirements for Electricity Distribution Rate Applications - 2025 Edition for 2026 Rate Applications, Chapter 2 Cost of Service, May 7, 2025, p. 68

## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The Accounting Order set out in Schedule A of this Final Rate Order is approved.

**DATED** at Toronto December 23, 2025

### ONTARIO ENERGY BOARD

Ritchie  
Murray



Digitally signed by Ritchie  
Murray  
Date: 2025.12.23  
16:43:30 -05'00'

Ritchie Murray  
Acting Registrar

**SCHEDULE A  
ACCOUNTING ORDER  
ONTARIO ENERGY BOARD  
EB-2024-0092  
DECEMBER 23, 2025**

## **ELECTRICITY DISTRIBUTOR ACCOUNTING ORDER DEFERAL AND VARIANCE ACCOUNT**

Electricity distributors may establish the following new accounts effective September 16, 2025:

### **A. CAPITAL-RELATED DVAs**

The distributors should follow the capitalization policy and depreciation policy that were approved by the OEB in the last cost-based application to recognize the capital costs and depreciation expense for CAM assets.

#### **(1) Account 1508 sub-account CAM Assets Capital Costs**

This account is to record actual capital costs of all CAM assets. The distributor should maintain separate records of capital costs for each CAM asset.

#### **(2) Account 1508 sub-account CAM Assets Depreciation**

This account is to record depreciation expenses for CAM assets. The depreciation of CAM assets begins from the in-service year of the CAM assets. The distributor should maintain separate records for the depreciation expense for each CAM asset.

#### **(3) Account 1508 sub-account CAM Assets Accumulated Depreciation**

This account is to record accumulated depreciation for CAM assets once the CAM assets go into service. The distributor should maintain separate records for the accumulated depreciation for each CAM asset.

### **B. CONTRIBUTIONS**

#### **(1) Account 1508 sub-account CAM Capital Contributions**

This account is to record the capital contributions that are received from customers based on the allocated contributions by the distributor for each CAM asset. This account can also be used to record the capital contributions that are committed but yet to be received. For this type of contribution, the distributor may also need to use the CAM Financing Charge DVA below to record the financing charge to be received from customers.

The contributions recorded in this account are to be netted against the capital costs recorded in Account 1508 sub-account CAM Assets Capital Costs for inclusion into rate base when distributors bring the account balances forward for disposition in a rate application for review by the OEB.

#### **(2) Account 1508 sub-account CAM Capital Contributions - Amortization**

This account is to record the amortization of the contributions recorded in Account 1508 sub-account CAM Assets Contributions. The amortization of the contributions begins at the same time as when the corresponding assets begin to depreciate.

**(3) Account 1508 sub-account CAM Capital Contributions – Accumulated Amortization**

This account is to record the accumulated amortization of the contributions recorded in Account 1508 sub-account CAM Assets Contributions. The distributor should maintain separate records for the accumulated amortization for each contribution made for the specific CAM asset.

**C. Financing Charges**

**(1) Account 1520 CAM Financing charges**

This account is to record the financing charges to be paid by customers who elect to NOT pay the allocated capital contribution upfront. When a customer commits contributions to a CAM but does not pay the contribution until later, the distributor needs to record a financing charge received from customers to this account.

It is an interest-only one-time payment on the capital contribution owed by the customer for the number of years during which ratepayers carried the cost of a portion of the asset(s) allocated to the customer, at an interest rate equal to the distributor's Weighted Average Cost of Capital (WACC) plus an average tax adder for average corporate taxes incurred by the utility.

The distributor shall use this account to record the receivable from the specific customer for the financing charge, and the receivable balance will be collected when the specific customer pays the financial charge prior to the connection.

This amount is to be refunded to ratepayers if ratepayers paid interest, ROE and tax on the customer's behalf for the part of the committed but paid later contributions. Given that the payable amount to the ratepayers depends on the OEB's review of the CAM assets and contributions where financing charges apply, the account should be used to record the payable to be refunded to the ratepayers if the CAM assets and related contributions are reviewed and approved by the OEB in a rate application.

## An Illustrative Example and Journal Entries

The illustrative example involves a CAM with an initial in-service asset of \$25,000 in 2026, a received capital contribution of \$15,000, and a forecasted CAM connection of \$20,000 in 2028 with a committed contribution of \$10,000.

This example is not intended to represent a complete CAM project or program. Its sole purpose is to demonstrate the journal entries leading up to the distributor's first rebasing application. It does not incorporate the revenue approach under the incentive rate mechanism prior to the distributor's cost of capital rebasing application. The journal entries for the disposition of accounts upon the OEB's approval will be provided later.

<b>Rate Application</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
	IRM	IRM	COS
<b>PP&amp;E Values of CAM Assets</b>			
Opening net PP&E	\$0	\$24,750	\$24,250
Additions	\$25,000	\$0	\$20,000
Depreciation (50 years straight line)	-\$250	-\$500	-\$700
Accumulated Depreciation	-\$250	-\$750	-\$1,450
<b>Closing net PP&amp;E</b>	<b>\$24,750</b>	<b>\$24,250</b>	<b>\$43,550</b>
<b>CAM Assets Contributions Received</b>			
Opening Balance	\$0	\$14,850	\$14,550
Additions	\$15,000	\$0	\$10,000
Amortization (50 years straight line)	-\$150	-\$300	-\$400
Accumulated Amortization	-\$150	-\$450	-\$850
<b>Closing Balance</b>	<b>\$14,850</b>	<b>\$14,550</b>	<b>\$24,150</b>
<b>CAM Assets Contribution Committed of \$10,000 at the end of 2028 for CAM Asset addition of \$20,000</b>			
CAM Financing Charge (assuming the weighted average cost of capital plus tax factor is 6%)			\$600
<b>*Key Assumptions</b>			
1 Useful life of CAM assets is 50 years.			
2 The \$10,000 capital contribution is committed at beginning of 2026 and received at end of 2028.			

## **2026 Journal Entries**

### **JE #1**

Dr. 1508 Sub-account CAM Assets Capital Costs	\$25,000
Cr. 2055 Construction Work in Progress – Electric	\$25,000

**To record transfer of CAM construction work in progress to the CAM asset DVA when the assets are in service.**

### **JE #2**

Dr. 1508- Sub-account CAM Assets Depreciation	\$250
Cr. 1508-Sub-account CAM Assets Accumulated Depreciation	\$250

**To record depreciation and accumulated depreciation of CAM assets in 2026.**

### **JE #3**

Dr. 1005 Cash	\$15,000
Cr. 1508- Sub-account CAM Capital Contributions	\$15,000

**To record contributions received for CAM assets in 2026.**

### **JE #4**

Dr. 1508 Sub-account CAM Contribution Accumulated Amortization	\$150
Cr. 1508 Sub-account CAM Contribution Amortization	\$150

**To record amortization of the CAM contribution.**

### **JE #5**

Dr. 1110 Other Accounts Receivable	\$10,000
Cr. 2440 Deferred Revenue	\$10,000

**To record \$10,000 CAM contribution committed in 2026 but to be received in 2028.**

### **JE #6**

Dr. 1110 Other Accounts Receivable	\$600
Cr. 1520 CAM Finance Charge	\$600

**To record CAM Financing Charge that is applied to the committed contribution of \$10,000.**

## **2027 Journal Entries**

### **JE#1**

Dr. 1508- Sub-account CAM Assets Depreciation	\$500
Cr. 1508-Sub-account CAM Assets Accumulated Depreciation	\$500

**To record depreciation and accumulated depreciation of CAM assets in 2027.**

### **JE#2**

Dr. 1508 Sub-account CAM Contribution Accumulated Amortization	\$300
Cr. 1508 Sub-account CAM Contribution Amortization	\$300

**To record amortization of the CAM contribution.**

### **JE #3**

Dr. 1110 Other Accounts Receivable	\$600
Cr. 1520 CAM Finance Charge	\$600

**To record CAM Financing Charge that is applied to the committed contribution of \$10,000.**

## **2028 Journal Entries (Rebasing Year)**

### **JE#1**

Dr. 1508 Sub-account CAM Assets	\$20,000
Cr. 2055 Construction Work in Progress – Electric	\$20,000

**To record the additional CAM asset of \$20,000 in 2028.**

### **JE #2**

Dr. 1508- Sub-account CAM Assets Depreciation	\$700
Cr. 1508-Sub-account CAM Assets Accumulated Depreciation	\$700

**To record depreciation and accumulated depreciation of CAM assets in 2028.**

### **JE #3**

Dr. 2440 Deferred Revenue	\$10,000
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Cr. 1508- Sub-account CAM Capital Contributions	\$10,000
<b>To record the committed contributions received in 2028.</b>	

**JE #4**

Dr. 1508 Sub-account CAM Contribution Accumulated Amortization	\$400
Cr. 1508 Sub-account CAM Contribution Amortization	\$400

**To record amortization of the CAM contribution.**

**JE #5**

Dr. 1110 Other Accounts Receivable	\$600
Cr. 1520 CAM Finance Charge	\$600

**To record CAM Financing Charge that is applied to the committed contribution of \$10,000.**