



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

**BY EMAIL AND WEB POSTING**

August 14, 2020

**To: All Registered Stakeholders  
All Other Interested Parties**

**Re: Consultation on the Deferral Account – Impacts Arising from the COVID-19  
Emergency – Issues List  
Ontario Energy Board File Number: EB-2020-0133**

In its [letter](#) issued on May 14, 2020, the Ontario Energy Board (OEB) commenced a consultation on a deferral account (the Account) relating to impacts arising from the COVID-19 emergency in the electricity and natural gas sectors. The May 14, 2020 letter included a draft issues list (Draft Issues List).

A preliminary stakeholder meeting was held on May 28, 2020 to provide a forum to discuss the issues on the Draft Issues List.

Written and reply comments were submitted by stakeholders, in response to the OEB's [follow-up letter](#) issued on June 4, 2020.

In its [subsequent letter](#) issued on July 17, 2020, the OEB provided an update on the next steps in the consultation which included a provision for a preliminary proposal to be prepared by OEB staff (Staff Proposal). The OEB noted that the Staff Proposal is anticipated to be in the form of a preliminary outline of the eventual guidance that the OEB has indicated will be the final outcome of this consultation. The OEB also invited comments from stakeholders on the form of consultation to be adopted once the Staff Proposal has been issued.

The purpose of this letter is to provide the Final issues list (Issues List) for this consultation, as approved by the OEB.

The approved final Issues List is provided in Appendix A to this letter.

The sections that follow below outline changes approved by the OEB in relation to the Draft Issues List. The sub-title of each section makes reference to the numbering used in the Issues List. The OEB has not commented on sections of the Issues List that did not raise significant concerns and have been accepted by the OEB as proposed in the Draft Issues List.

### **Section A – Advanced Policy Direction – Removed Issue #1a)**

*Preliminary Issue: Should the OEB provide advanced policy direction in the near term (for example at the time of establishing the Final Issues list), to provide greater certainty with respect to the recoverability of amounts tracked in the Account, such as by confirming the recoverability of any incremental bad debt expense? Note: Issue #1a) from the May 14, 2020 Draft Issues List*

*OEB Determination: No advanced policy direction will be provided. However, the OEB is establishing a separate sub-account of the Account for bad debt. The OEB has removed draft Issue #1a), and draft Issue #1b) is addressed further below.*

The intent of this issue in part was to address any critical emergency in terms of financial hardship faced by utilities that required immediate support from the OEB. Many consumer groups indicated that advanced policy direction would be effectively predetermining one or more issues intended to be the subject of this consultation.

No stakeholder provided compelling reasons for providing policy direction in advance of the conclusion of this consultation.

Several commentators did not agree that there is a need for advanced policy direction on recognition of the Account as a regulatory asset on utility financial statements. The Society of United Professionals (SUP) stated that utilities have the accountability to defend their own financial accounting for regulatory asset amounts on their balance sheets to their auditors and to other external interested parties. The OEB agrees that it does not have to explicitly involve itself in supporting utilities in achieving a desired financial accounting result. The OEB has also taken into consideration Energy Probe Research Foundation's (Energy Probe) comment that the OEB generally does not make such advanced accounting determinations for other deferral and variance accounts (DVAs).

The OEB notes that to record a regulatory asset on a financial statement, a utility must have sufficient assurance that these amounts will be recoverable. The OEB agrees with School Energy Coalition's (SEC) assertion that the recoverability is the subject of the entire consultation, and so it would be inappropriate to provide this assurance at this time.

The OEB will, however, establish a separate sub-account of the Account for bad debt. An Accounting Order to that effect will be issued separately. The OEB agrees with the Ontario Energy Association (OEA) that this is potentially one of the largest incremental cost components of the Account.<sup>1</sup> Given the potential for large incremental bad debt amounts expected to be incurred by utilities, the OEB has determined that it is appropriate to segregate this component to enable the tracking of these amounts at a more detailed level going forward and to monitor the cost impacts. The OEB also notes that the consultation will consider the methodology for determining the amount of incremental bad debt resulting from the COVID-19 emergency that is to be recorded in the Bad Debt Sub-account.

The OEB notes that any clearing of amounts in this sub-account shall be subject to the OEB's final rules and directions arising from the ongoing consultation. The establishment of this sub-account should not be construed in any way as confirming the recoverability of any incremental bad debt in advance of the conclusion of this consultation and/or a decision on disposition of the Account by the OEB.

Below, this document addresses some specific advanced policy direction requested by some utilities related to certain construction work in progress and capital costs. This is described in the section titled "Other Comments Related to Construction Work in Progress and Capital Costs."

### **Section A – Advanced Policy Direction – Removed Issue #1c)**

*Preliminary Issue: What specific accounting guidance or policy direction should the OEB provide for the Account that may enable the Utilities to better access incremental lines of credit and other types of borrowing facilities during the COVID-19 emergency? Note: Issue #1c) from the May 14, 2020 Draft Issues List*

*OEB Determination: The OEB has removed this issue from the Issues List.*

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<sup>1</sup> The OEA provided written comments on behalf of the following organizations: Alectra Utilities Corporation, Ellexicon Energy Inc, Enbridge Gas Inc., Hydro One Networks Inc., Hydro Ottawa Limited, and Toronto Hydro-Electric System Limited.

The OEB has determined that no further action is required for advanced policy direction for many of the same reasons as Issue #1a. The OEB notes that stakeholders have not made a case for the need for this type of advanced policy direction.

In the event that stakeholders are of the view that these types of finance-related issues need to be addressed in the longer term, the OEB notes that Issue #1c on the Draft Issues List can be subsumed under the final Issue #10.

### **Section B – General Principles – New Issue #2 Added**

*Final New Issue: What is the appropriate function of the OEB's economic regulation in protecting the interests of regulated entities and customers in addressing the impacts on the regulated entities arising from this global crisis?*

*OEB Determination: The OEB has added this issue to the Issues List.*

The above is a new issue recommended by the Association of Major Power Consumers in Ontario (AMPCO) and the Industrial Gas Users Association (IGUA), as reworded by the OEB. The OEB notes that this issue provides a linkage to help address the issue of net cost-sharing between ratepayers and shareholders under final Issue #19 with respect to the degree to which shareholders and ratepayers, respectively, should bear the risk of various impacts resulting from the pandemic.

Although the Electricity Distributors Association (EDA) submitted that the Draft Issues List is capable of supporting the OEB in achieving this outcome described by AMPCO and IGUA, the OEB concludes that this issue would help frame stakeholders' comments on the matters being explored in this consultation.

### **Section B – General Principles – Final Issue #3**

*Preliminary Issue: To what extent can the regulatory principles identified in previous OEB consultations be of assistance in considering matters relating to the recording and disposition of the Account?<sup>2</sup>*

*Final Issue: What are the principle(s) that should guide the OEB in determining what are the appropriate amounts to be recorded in the Account, and in determining if, and on what basis, recovery of any balance in the Account is appropriate?*

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<sup>2</sup> For example, EB-2015-0040, *Report of the Ontario Energy Board Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs*, September 14, 2017, page 3; EB-2008-0408, *Report of the Board Transition to International Financial Reporting Standards*, July 28, 2009, Appendix 2: Summary of Board Policy.

*OEB Determination: The OEB has modified this issue, as part of the Issues List.*

The above is a modified issue recommended by SEC, with similar suggestions made by other stakeholders, as reworded by the OEB. The OEB approves the modification of this issue on the Issues List.

The OEB agrees that the OEB should not rely solely on principles set out in previous reports, as the OEB will need to address what costs are recoverable for this unique event. The OEB also agrees with Ontario Power Generation Inc. (OPG) that it is appropriate to broaden the scope of this issue and not limit consideration to issues considered in past consultations.

### **Section C – Accounting Matters – Final Issue #5**

*Preliminary Issue: Should additional sub-accounts of the Account be established? If so, what additional sub-accounts should be established and why? For example, in order to facilitate greater certainty in the recoverability of bad debt expense that is beyond the amounts underpinning current rates, should sub-accounts be established to specifically capture temporary delays in recovering accounts receivable (Account 1100 – Customer Accounts Receivable)?<sup>3</sup>*

*Final Issue: Should additional sub-accounts of the Account be established? If so, what additional sub-accounts should be established and why?*

*OEB Determination: The OEB has modified this issue.*

The OEB has removed some text from this issue to eliminate a reference to bad debt, as the OEB has approved the establishment of a new sub-account for bad debt in its above discussion on draft Issue #1a).

Stakeholders recommended some additional sub-accounts (e.g. for capital costs).<sup>4</sup> The OEB notes that the key objective at this time is to determine whether the Issues List is broad enough to cover the potential for additional sub-accounts, rather than what these

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<sup>3</sup> As per the *Uniform System of Accounts for Class A Gas Utilities*, April 1, 1996, the following accounts related to accounts receivable for natural gas utilities are as follows:

- 140 Accounts Receivable - Customers
- 141 Accounts Receivable - Related Parties
- 142 Accounts Receivable - Other

<sup>4</sup> Immediate concerns put forth by some utilities regarding the treatment of construction work in progress and capital costs are described later in this document.

sub-accounts should be. The potential for additional sub-accounts can be addressed in the next phase of the consultation.

The OEA requested that the OEB add an issue which considers whether certain items recorded in the Account can be given more mechanistic treatment.<sup>5</sup> The OEB's [Accounting Order](#) issued on August 6, 2020 established a new sub-account of the Account titled "Forgone Revenues from Postponing Rate Implementation." In the Accounting Order, the OEB stated that the calculation for this type of forgone revenue is mechanistic. If it becomes apparent that other aspects of the Account can be considered mechanistic, the OEB can make that determination when providing any guidance on disposition.

### **Section C – Accounting Matters – Removed Issues**

*Preliminary Issue a): Should the OEB compare the amounts recorded in the Account to industry norms (e.g. benchmarking with other utilities in Ontario and Canada)? Note: Issue #5a) from the May 14, 2020 Draft Issues List*

*Preliminary Issue b): If so, what reporting should be required by Utilities to facilitate comparisons? Note: Issue #5b) from the May 14, 2020 Draft Issues List*

*OEB Determination: The OEB has removed these issues from the Issues List.*

The OEB notes that the vast majority of stakeholders, including most consumer groups, are opposed to benchmarking (e.g. the comparison of amounts recorded in the Account to other utilities), given the time-consuming nature of the task and concern of limited comparability of available information. The OEB agrees with the OEA that appropriate benchmarking requires comparable data with sufficiently large sampling, which does not exist. The OEB also has considered OPG's comment that the COVID-19 emergency is not akin to routine or typical cost or revenue related endeavours undertaken by utilities that enable comparator groups and benchmarking opportunities. The OEB agrees with OPG that there is no historical basis of comparison.

Despite removing these issues from the Issues List, the OEB has determined that this removal would not preclude an OEB panel considering the disposition of an Account balance to seek comparators where that panel deems that it is warranted.

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<sup>5</sup> The OEA provided an example of costs arising from policy requirements to provide support to customers.

**Section D – Nature of Costs and Materiality – New Issue #7 Added**

*Final New Issue: When should Utilities cease recording amounts in the Account?*

*OEB Determination: The OEB has added this issue to the Issues List.*

The above new issue was recommended by SEC. Other stakeholders made references to the period for which the Account would be used. The OEB approves the inclusion of this issue on the Issues List.

The OEB agrees that this is important for utilities who are rebasing for 2021 rates and there is also a need to understand the interplay between the forecasts in those applications and the impacts of COVID-19 that are dealt with by way of the Account.

**Section D – Nature of Costs and Materiality – New Issue #8 Added**

*Final New Issue: What is the appropriate carrying charge rate for the Account?*

*OEB Determination: The OEB has added this issue to the Issues List.*

The OEB approves the inclusion of this new issue on the Issues List, and notes that the substance of this issue has been articulated by several stakeholders. Several stakeholders have raised questions about the current prescribed interest rate (e.g. Q3 2020) being applicable to the DVAs.<sup>6</sup>

The OEB notes that there is a potential for a different carrying charge rate for the Account, or specific sub-accounts, given the nature of the COVID-19 emergency.

In its [July 30, 2020](#) letter, the OEB revised the Q3 2020 prescribed interest rate noted in its June 16, 2020 letter, in response to stakeholder feedback. The OEB revised the Q3 2020 rate previously set at 1.38% to 0.57%. The OEB concluded that it is appropriate to consider any further comments on prescribed interest rates during the COVID-19 pandemic, as part of this consultation. The OEB also noted that in the meantime, the OEB will continue monitoring market conditions and will accept comments from stakeholders on factors the OEB should consider when setting the interest rates for 2020 Q4.

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<sup>6</sup> Please refer to the OEB's [June 16, 2020 letter](#) and comments posted on the OEB's [webpage](#) for this consultation.

Therefore, the OEB has determined that the appropriate carrying charge rate will be explored in this consultation. By determining the appropriate carrying charge rate for the Account, the consultation will address the reasonability of the prescribed interest rate methodology for the period during which the COVID-19 emergency persists.

### **Section D – Nature of Costs and Materiality – Final Issue #10**

*Preliminary Issue: Should extra finance costs incurred (e.g. interest expense) related to incremental debt be allowed to be recorded in the Account, including any debt that may be incurred to finance “pass-through” cost amounts?*

*Final Issue: Should incremental finance costs incurred or cost savings obtained that arise (e.g. interest expense) related to incremental debt or other debt/payables be allowed to be recorded in the Account (e.g. debt that may be incurred to finance “pass-through” cost amounts)?*

*OEB Determination: The OEB has modified this issue.*

The above represents a modified issue with input from some stakeholders, as reworded by the OEB.

The OEB agrees with some stakeholders that this issue should be expanded to include other types of finance costs, as well as cost savings. For example, SEC stated that utilities (who can) should be renegotiating callable affiliate debt to take advantage of low interest rates. The appropriate types of finance costs and cost savings that should be recorded in the Account will be examined as part of the consultation. The OEB has also changed the reference to pass-through costs as a potential example of debt or payables.

### **Section E – Recovery Mechanism and Timing – Moving of Issue #17**

*Final Issue: Should the OEB consider interim disposition of the Account, until such time as the final balance is brought forward for review and disposition? Note: Issue #1b) from the May 14, 2020 Draft Issues List*

*OEB Determination: The OEB has moved this issue.*

The OEB approves this issue but has moved it from Section A (Advanced Policy Direction) to Section E (Recovery Mechanism and Timing). This issue was moved



because no advanced policy direction will be provided regarding this issue and support was provided to keep it on the Issues List.

The OEB notes that there was a range of comments made by stakeholders on the issue of interim disposition. Some of these comments indicated that the OEB should not consider interim disposition before it has reached a decision on the recoverability of costs and lost revenues. However, other stakeholders requested interim disposition. For example, the EDA noted that any OEB filing requirements should permit flexibility, as business-as-usual conditions may not be suitable under the circumstances of a pandemic.

The OEB also notes that there are other OEB precedents for interim disposition.<sup>7</sup>

### **Section E – Recovery Mechanism and Timing – Final Issues #19a), #19b), #19c)**

#### ***Preliminary Issues***

*Preliminary Issue a) Should the OEB consider a cost-sharing model between the Utilities' ratepayers and shareholders regarding the recovery of the Account?*

*Preliminary Issue b) What factors should the OEB take into consideration in considering any cost sharing, such as the impact of the COVID-19 emergency on the broader Ontario business environment?*

*Preliminary Issue c) If a cost sharing model should be considered, on what basis should the allocation of this cost-sharing be considered?*

#### ***Final Issues***

*Final Issue #19 a): Should the OEB consider a net cost-sharing model between the Utilities' ratepayers and shareholders regarding the recovery of the Account?*

*Final Issue #19 b): What factors should the OEB take into consideration in considering any net cost-sharing?*

*Final Issue #19 c): If a net cost-sharing model should be considered, on what basis should the allocation of this net cost-sharing be considered?*

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<sup>7</sup> Interim disposition was referenced in the OEB's [July 20, 2018 letter](#) titled "OEB's Plan to Standardize Processes to Improve Accuracy of Commodity Pass-Through Variance Accounts"

*OEB Determination: The OEB has modified these issues.*

The above text represents modified issues suggested by some stakeholders, as reworded and approved by the OEB.

These issues are modified to reflect “net cost-sharing” instead of “cost-sharing.” The OEB has considered the suggested wording by London Property Management Association’s (LPMA) (i.e. “net cost and revenue sharing”). The OEB notes that rewording this issue to reflect “net cost-sharing” instead of “cost-sharing” addresses concerns that any impacts on revenue should also be considered when considering a sharing model between ratepayers and shareholders. The OEB has determined that the reference to costs will include both incremental costs and cost reductions.

The OEB agrees with the EDA that cost-sharing between ratepayers and shareholders needs to be analyzed carefully.

The OEA suggested some changes to part b) of this issue, including deleting the reference to the “broader Ontario business environment”. Some stakeholders did not agree with removing this phrase. The OEB agrees with the OEA that the term “broader Ontario business environment” has not been defined and may be ambiguous, but notes that this phrase was intended to serve as a comparison to the competitive business environment when considering what factors should be considered for potential cost-sharing. The OEB approves the deletion of this phrase from the issue, but notes that this is not intended to prevent such discussions.

### **Section E – Recovery Mechanism and Timing – Final Issue #20**

*Preliminary Issue: Should the OEB require an external audit of the Account balance, particularly in the event that a non-December 31 balance is approved for recovery?*

*Final Issue: Should the OEB require an external audit of the Account balance?*

*OEB Determination: The OEB has modified this issue.*

The above represents a modified issue based on input from some stakeholders.

LPMA requested that the issue be re-phrased to address whether there are any circumstances, including timing of approval of recovery, where an external audit of the Account balance would not be required.

The EDA sought clarification regarding the benefit of having the Account balance audited, including the appropriateness of applying a business-as-usual practice to an account that pertains to costs incurred as a result of a once-in-a-century event. The EDA also noted that there may be unintended consequences of delaying disposition until an audit is completed. The OEB is of the view that these concerns can be subsumed under final Issue #20.

The OEB also notes that an external audit should not be conditional on whether a non-December 31 Account balance is being disposed.

### **Other Comments Related to Construction Work in Progress and Capital Costs**

#### ***Wataynikaneyap Power LP Comments***

Wataynikaneyap Power LP (WPLP) requested that the OEB under draft Issue #1a) make an advanced ruling. WPLP requested that incremental capital costs related to COVID-19 be recorded in the Account, similar to what it, in its view, is permitted to record in Account 2055, but that it be able to recover the recorded amounts as an expense, rather than as capital, without regard to materiality.<sup>8</sup> WPLP also asked that in its initial revenue requirement application, it be permitted to seek clearance of the Account, even if the OEB has not concluded its consultation.

WPLP also requested that if the COVID-19 pandemic continues beyond its initial revenue requirement proceeding, it be permitted to use the Account to track and seek recovery of further cost impacts. WPLP also stated that it would apply the terms of any decision the OEB makes in this consultation regarding the use of the Account by operating electricity transmitters.

WPLP also stated that it would be amenable to expanding the scope of its semi-annual reporting, as established in its approval for leave to construct, regarding any amounts it has recorded in the Account. WPLP also raised a question regarding the requirement of advising the OEB of material changes to the project in light of COVID-19 impacts.

#### ***EPCOR Natural Gas Limited Partnership Comments***

EPCOR Natural Gas Limited Partnership (EPCOR) supported WPLP's comments on delineating costs. EPCOR requested that, in advanced policy direction, the appropriate distinguishing of costs could be achieved by the definition of additional and appropriate

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<sup>8</sup> As per the OEB's *Accounting Procedures Handbook For Electricity Distributors*, Account 2055 represents Construction Work in Progress.

sub-account(s) to the Account. EPCOR suggested that the Account be sufficiently flexible to permit the tracking of incremental COVID-19 related capital costs for recovery without regard to materiality and allow recovery as an expense or capital-related item. EPCOR also requested the flexibility to track certain lost revenues in the Account.<sup>9</sup>

### ***NextBridge Infrastructure Comments***

NextBridge Infrastructure (NextBridge) submitted that it is a new regulated transmitter with no active rates in place and has no existing assets. The utility stated that any incremental costs only reflect the actual cost of construction.

NextBridge also stated that new issues should be added to the Issues List. These new issues include whether incremental capital costs (and associated interest) related to COVID-19 for projects currently under construction should be tracked separately, and if so, whether they should be tracked in the Account or Account 2055. NextBridge also recommended a new issue regarding the definition of the account to be used for utilities currently constructing capital projects. In NextBridge's view, it is appropriate to continue to track the incremental construction work in progress and interest costs related to the COVID-19 emergency in Account 2055.

### ***The OEB's View on the Above Three Comments***

The OEB notes that the recommended new sub-accounts and issues can be subsumed under Issue #5. As discussed earlier in this letter, the OEB notes that the key objective at this time is to determine whether the Issues List is broad enough to cover the potential for additional sub-accounts, rather than what these sub-accounts should be. The potential for additional sub-accounts can be addressed in the next phases of the consultation.

As a result, the OEB will not make a determination at this time regarding the requests made by these utilities to expand the scope of the Account, or provide advanced policy direction on these utility-specific requests. It is expected that the final rules and directions relating to the recording and clearing of the Account will be addressed on a generic basis through the forum of this consultation. In the event that there is a need to address matters raised in their comments prior to the completion of this consultation, WPLP, NextBridge and EPCOR may bring forward their concerns and proposals for consideration by the OEB, in their respective upcoming rate applications.

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<sup>9</sup> EPCOR stated that the OEB should allow the utility to track lost revenues with respect to material changes to forecasted customer load as a result of the COVID-19 emergency.

The OEB notes that as per its [letter](#) dated June 26, 2020, all licensed rate-regulated electricity transmitters and OPG are required to temporarily report the amounts recorded in the Account for Reporting and Record-keeping Requirement purposes. The OEB finds the temporary monthly reporting requirement to be sufficient.

### **Next Steps**

As outlined earlier in this document, the next step in the consultation will involve the posting of a Staff Proposal. Account data, as well as a preliminary analysis performed by OEB staff on this data, is expected to be posted at the time the Staff Proposal is issued.

As also outlined in its July 17, 2020 letter, the OEB welcomes any comments from stakeholders on the form of consultation to be adopted.

Any further steps will be determined in due course.

Stakeholders may monitor the consultation by referring to the [OEB webpage](#) for additional information.

Any questions related to this consultation may be sent to Fiona O'Connell at [fiona.oconnell@oeb.ca](mailto:fiona.oconnell@oeb.ca).

Yours truly,

*Original signed by*

Christine E. Long  
Registrar and Board Secretary

Appendices: Appendix A – Final Issues List

**Appendix A**  
To Cover Letter Dated August 14, 2020  
EB-2020-0133  
**Final Issues List**

The OEB has approved a Final Issues List, as follows, which are organized into five areas: A) advanced policy direction, B) general principles, C) accounting matters, D) nature of costs and materiality, and E) recovery mechanism and timing.

A. Advanced Policy Direction

1. No advanced policy direction will be provided, therefore Issue #1a) and Issue #1c) of the Draft Issues List have been removed. Issue #1b) of the Draft Issues List has been moved to Section E of the Final Issues List. However, the OEB is establishing a separate sub-account of the Account for bad debt.

B. General Principles

2. What is the appropriate function of the OEB's economic regulation in protecting the interests of regulated entities and customers in addressing the impacts on the regulated entities arising from this global crisis?
3. What are the principle(s) that should guide the OEB in determining what are the appropriate amounts to be recorded in the Account, and in determining if, and on what basis, recovery of any balance in the Account is appropriate?
4. Are there other types of costs previously considered by the OEB that provide suitable analogies for the consideration of the Account? For example, should other precedents such as the OEB's Z-factor policy be considered by the OEB?<sup>10</sup>

C. Accounting Matters

5. Should additional sub-accounts of the Account be established? If so, what additional sub-accounts should be established and why?

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<sup>10</sup> For example, Z-factor claims for electricity distributors are outlined in the *Filing Requirements For Electricity Distribution Rate Applications – 2020 Edition for 2021 Rate Applications - Chapter 3 Incentive Rate-Setting Applications*, May 14, 2020 , Section 3.2.8 Z-factor Claims

6. What are the criteria to facilitate consistent accounting methods for both the electricity and gas sectors, including electricity transmitters and OPG, as opposed to establishing criteria on a case-by-case basis?

D. Nature of Costs and Materiality

7. When should Utilities cease recording amounts in the Account?
8. What is the appropriate carrying charge rate for the Account?
9. What types of incremental identifiable costs (including pass-through amounts) and cost savings should be recorded in the Account, including the effective date of recording these components in each of the sub-accounts?
10. Should incremental finance costs incurred or cost savings obtained that arise (e.g. interest expense) related to incremental debt or other debt/payables be allowed to be recorded in the Account (e.g. debt that may be incurred to finance “pass-through” cost amounts)?
11. What types of incremental “offsetting” sources of funds should be recorded in the Account, and what should be the effective date of recording these components in each of the sub-accounts?<sup>11</sup>
12. Other than impacts arising from loss of load discussed in the next issue, what types of revenue impacts arising as a result of the COVID-19 emergency, including lost revenues associated with any actions taken to provide relief to customers, should be recorded in the Account?
13.
  - a) To what extent should loss of load be recoverable in the Account?<sup>12</sup>
  - b) If loss of load should be considered, what criteria, measurements, and limitations of the quantum impact for loss of load should be considered?

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<sup>11</sup> For example, “offsetting” sources of funds may include other revenues, the federal and provincial governments’ initiatives for businesses related to the COVID-19 emergency, as well as any insurance the Utilities may possess to mitigate the risk of key customer bill payment defaults.

<sup>12</sup> “Loss of load” for example may include lost revenue exposures arising from either a material decline in the load forecast of the utility or loss of customer(s) (e.g., large user or general service > 50 kW) due to payment default or discontinued business that results in a material loss of load to the utility.

- c) If loss of load should be considered, how should the OEB differentiate between permanent and temporary lost load revenues and determine the effective date of recording these components?
  - d) When determining the impacts arising from loss of load, how should the OEB address responsibility, including any rate class cross-subsidization?
  - e) As an alternative to recording loss of load amounts in the Account, should there be consideration for early rebasing or a special rates adjustment to address redistribution of the overall lower load amongst the other rate classes?
14. How should the OEB address causality for the nature of the amounts to be recorded in the Account and ultimately recovered as well as establishing a consistent methodology to calculate the amounts recorded in the Account?
15. How should the OEB address prudence for the nature of the costs to be recorded in the Account and ultimately recovered?
- 16.
- a) How should the OEB address materiality associated with the amounts recorded in the Account, and what should it be? For example, is it appropriate to adopt current materiality thresholds such as those used for Z-factor claims or in cost of service applications to assess costs?
  - b) Should the materiality level be determined on an overall Account basis, or on a sub-account basis?

E. Recovery Mechanism and Timing

17. Should the OEB consider interim disposition of the Account, until such time as the final balance is brought forward for review and disposition?
18. How should the impact on the different rate zones and customer classes be reflected in the Account, particularly when the Utilities seek recovery of the Account, including proposed bill impact and cost allocation issues?
- 19.
- a) Should the OEB consider a net cost-sharing model between the Utilities' ratepayers and shareholders regarding the recovery of the Account?



b) What factors should the OEB take into consideration in considering any net cost-sharing?

c) If a net cost-sharing model should be considered, on what basis should the allocation of this net cost-sharing be considered?

20. Should the OEB require an external audit of the Account balance?