

DRAFT ACCOUNTING TREATMENT FOR A
DEMAND SIDE MANAGEMENT VARIANCE ACCOUNT
("DSMVA")

1. The purpose of the DSMVA is to record the difference between the actual DSM spending for the fiscal year and the budgeted amount included within rates. Amounts determined to be over or under the budget included within Allowed Revenue will be recorded in the DSMVA, subject to the DSMCEIDA. In addition, any further variance in DSM spending and results, beyond the budget included within rates, which occur as a result of Board decisions in ongoing or upcoming DSM proceedings, will be included within the DSMVA.
2. A portion of the variance captured in the DSMVA will reflect forecast commitments in customer incentive payments for future periods. Customer incentive payments are a component of the annual DSM budget recovered through rates. However, due to the multi-year aspect of several of the Company's programs, incentive amounts recovered in the current year, may not be payable until they become due in future years. In accordance with the Report of the Ontario Energy Board: Mid-Term Review of the Demand Side Management ("DSM") Framework for Natural Gas Distributors (2015 – 2020), the DSMVA will be used to track and carry forward the forecasted cumulative customer incentive commitments net of payments made (in relation to incentive commitments made in the current year, or in relation to incentives paid that became due in the current year in relation to commitments made in prior years). Each incentive amount not paid out will be returned to ratepayers in the year following its last potential commitment date, or at such other time as directed by the Board.
3. Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of

this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record variances in relation to appropriate DSM program costs only:

Debit/Credit:	DSMVA	(Account 179. 06_)
Credit/Debit:	Operating & Maintenance	(Various accounts)

To record the difference between actual and approved Demand Side Management operating expenditures, both debits and credits.

2. Interest accrual:

Debit/Credit:	Interest on DSMVA	(Account 179. 07_)
Credit/Debit:	Interest expense	(Account 323. 000)

To record simple interest on the opening monthly balance of the DSMVA using the Board approved EB-2006-0117 interest rate methodology.