Accrual Methodology

Consumer type	Conservative Estimate
Residential rate class customers	$2.0 M
Multi-unit residential customers	$15.4 M
Farms	$0.7 M
Small businesses	$1.1 M
Independent Power Authority's Repayment	$1.6 M
Total	**$20.8 M**

Methodology for estimating the original OCEB accrual was updated using actual results in order to improve accuracy.

The OCEB liability calculation is an estimate of the potential fiscal impact from retroactive OCEB claims that could be made to the Ministry of Energy from eligible OCEB customers.

At a high level, the methodology that was developed to derive an estimate of the liability related to the OCEB program is as follows:

- The number of OCEB eligible consumers was estimated. Distinct categories of consumers were considered: residential, multi-unit residential dwellings, farms, small businesses and Independent Power Authorities – certain parameters differ across these categories of consumers.
- The average OCEB amount for which a customer could be eligible was developed and applied to the number of customers under each category.
- The estimate was refined to the proportion of customers who may not have received the OCEB due to error (either a direct LDC billing error or a customer failing to declare their eligibility to their LDC), by customer category.
- Assumptions were developed about the proportion of eligible customers who would come forward to claim a retroactive OCEB credit (i.e., they were eligible for the OCEB between January 1, 2011 and December 31, 2015, but did not receive the credit for the duration of the program), and applied to the potential amount of outstanding retroactive OCEB claims in each customer category.

- The methodology to estimate the liability associated with multi-unit residential buildings, which encompass the majority of the potential liability amount estimated, is based on the risk related to buildings that submitted a self-declaration form to claim an OCEB amount reflective of the number of units in the building, and an application submitted to Divisional Court for judicial review on whether eligibility should include other living accommodation should qualify for the program.

- The estimate then factors in the actual spending of the previous accrual over the distinct categories as a percentage of the original methodology. This allows historical claim information to be applied to the formula to help improve the accuracy of the new estimate.