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January 26, 2011

**Delivered by Email & Courier**

Ms. Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2701  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Toronto-Hydro Electric System Limited ("THESL") - EDR 2011  
OEB File No. EB-2010-0142  
CGAAP Accounting Update**

Pursuant to the schedule set out in Procedural Order No. 3 dated December 13, 2010 ("PO No. 3"), THESL, board staff and the intervenors in the above noted proceeding participated in a transcribed technical conference on January 24, 2011 and commenced settlement discussions the following day.

THESL requests that the Board adjourn the settlement discussions until THESL can file an update to its application to reflect material, late breaking mandatory accounting changes (the "**Canadian GAAP or "CGAAP" Accounting Update**"). THESL is writing to notify the Board of this development and to propose changes to the schedule set out in PO No. 3.

As will be more fully explained in the updated evidence, in the lead up to THESL's initial intention to switch to IFRS on January 1, 2011, numerous accounting studies were undertaken which resulted in a richer set of accounting data and which led to a change in accounting estimates for various expense elements. Unfortunately, the continuing uncertainty respecting the treatment of rate-regulated entities under IFRS has compelled THESL to delay the implementation of IFRS until 2012. Nevertheless, THESL is still required to make certain accounting estimate changes under CGAAP to reflect the new, and much better accounting information gathered in the process of transitioning to IFRS. Accordingly, THESL will submit new evidence reflecting the CGAAP Accounting Update which will include the following:

1. A summary of the history and reasons that have lead up to the need to prepare updated evidence;
2. A table summarizing the material changes to the relief requested in the application;
3. Updates to specific portions of the pre-filed evidence to reflect the change in accounting estimates;

4. Evidence supporting the changes, including a new depreciation study and a costing change summary; and
5. A revised analysis of 2011 rate impacts.

In addition, THESL also intends to submit evidence of final approval from its auditors regarding the CGAAP Accounting Update, although it is not clear whether THESL will have this approval in time to file it together with the other CGAAP Accounting Update materials noted above.

In light of these developments, THESL proposes that the Board amend the timeline set-out in PO No. 3 as follows:

1. THESL will submit its updated evidence on February 9, 2011, or earlier if possible.
2. A transcribed technical conference limited to questions related to the CGAAP Accounting Update be held three business days later in the Board's hearing rooms. THESL requests that parties file any written questions with THESL and the Board by the morning of the business day before the start of the technical conference.
3. The Settlement Conference would resume on the business day following the completion of the technical conference.
4. Rescheduling the commencement of the oral phase of the hearing to the first day of the week on which the Board sits following the completion of the Settlement Conference. Any Settlement Proposal arising from the Settlement Conference would be filed with the Board on this date, and the presentation of the agreement, if any, would be made at the commencement of the oral hearing.

By way of example, if THESL's evidence update is filed on February 9, 2011 (as is expected), the technical conference questions would be due on February 11, 2011, the technical conference would commence on February 14, 2011, the Settlement Conference would reconvene on February 15, 2011, and if needed, would continue until February 18, 2011, and the oral hearing would commence on February 22, 2011. Thank you for your assistance in this matter.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

*Original Signed by John Vellone for J. Mark Rodger*

J. Mark Rodger

JMR/jv

Copy to: Pankaj Sardana, THESL  
All Intervenors in EB-2010-0142

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