

**Ontario Energy Board**  
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**Commission de l'énergie de l'Ontario**  
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**BY E-MAIL**

December 8, 2011

Pasquale Catalano  
Hydro One Remote Communities Inc.  
483 Bay Street  
8th Floor - South Tower  
Toronto ON M5G 2P5

Dear Mr. Catalano:

**Re: Hydro One Remote Communities Inc. ("Remotes")  
Application for Rates  
Application Board File Number EB-2011-0175**

This letter acknowledges receipt on November 25, 2011 of your 2012 IRM3 rate application. The Board has assigned File Number EB-2011-0175 to this matter. Please refer to this file number in all future correspondence to the Board regarding this matter. All information related to this matter must be filed with the Board Secretary.

As part of this application, Remotes requested approval to utilize USGAAP in lieu of MIFRS for regulatory purposes effective January 1, 2012, as well as approval to file its future cost of service rate applications using USGAAP. Remotes also requested that the Board authorize the use of deferral and variance accounts associated with the use of USGAAP for regulatory purposes.

The Board is of the view that the 2012 IRM3 rate application is not an appropriate forum in which to consider these issues, given the mechanical nature of an IRM application and the limited opportunity for discovery.

The Board notes that the *Addendum to the Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* stated that the issue of whether using USGAAP is appropriate should be determined in the distributor's cost of service application. In the Board's decision on the same issue with respect to Hydro One Transmission in proceeding EB-2011-0268, the Board noted that: "...its policy states that a cost-of-service application is required for approval to transition to USGAAP. However, given the unique circumstances of Hydro

One Transmission and Hydro One Distribution, the Board does not believe this applicant should be precluded from applying to extend the use of the USGAAP accounting standard to the Distribution business on appropriate terms and conditions, as a stand-alone application. That application would, of course, have to be considered on its own merits if and when it is made.”

The Board notes that Remotes shares certain unique circumstances with Hydro One Transmission and Hydro One Distribution, including a common shareholder, and should also not be precluded from requesting, in a stand-alone application, approval to use USGAAP for regulatory purposes and authorization for deferral and variance accounts associated with the use of USGAAP for regulatory purposes.

Please direct any questions relating to this matter to Suresh Advani, Advisor at +1 (416) 440-7742 or e-mail [Suresh.Advani@ontarioenergyboard.ca](mailto:Suresh.Advani@ontarioenergyboard.ca).

Yours truly,

*Original signed by*

John Pickernell  
Assistant Board Secretary