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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs



January 22, 2009

BY COURIER

Ms. Kirsten Walli
Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700,
P.O. Box 2319
Toronto, ON.
M4P 1E4

Dear Ms. Walli:

**EB-2008-0408 – OEB Consultation on Transition to International Financial Reporting Standards –
Hydro One Networks Comments on Draft Issues List**

Hydro One Networks Inc. has reviewed the draft issues list for the Ontario Energy Board's International Financial Reporting Standards (IFRS) consultation meeting that is scheduled for Tuesday, January 27, 2009. In general, we concur with the proposed list, subject to one clarification and one addition.

We believe that there are many potentially significant issues that result from adopting IFRS that could lead to a different basis for deriving the carrying value of property, plant and equipment (PP&E) than is currently used for regulatory purposes. We believe that these specific issues can be addressed under the umbrella of issues 3.2 and 3.3.

Networks would like to propose the addition of payments in lieu of corporate income taxes (PILs) and pension and employee future benefit costs to the issues list. Currently, our pension and PILs costs are included in rates on a cash basis. Even if regulatory accounting is accepted in IFRS in some form, we believe it is unlikely that these policies will be sustainable for financial reporting purposes. As a result, the Board should specifically address the prospective regulatory treatment for these costs under an IFRS reporting environment.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank