

Ontario Energy Board
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

December 15, 2010

To All participants in the IFRS IRM Working Group

As stated in its Report on the Transition to International Financial Reporting Standards ("IFRS") EB-2008-0408, the Board has created a working group to address the issues arising from the implementation of IFRS in an Incentive Regulation Mechanism ("IRM") environment. The Board identified your organization as a participant in the Working Group.

Description of Working Group Activity

Board staff will lead the IFRS IRM Working Group. Board staff is seeking input from the working group to draft a set of recommendations for the Board's consideration. Subsequent to the completion of the working group process, all stakeholders will have the opportunity to comment on the staff recommendations. Following the comment process, the Board expects to issue a Report and determine how to implement the policy in the Report.

The steps and timing for the activities of the working group are set out in the following table:

Activity	Timing
Discussion and finalization of issues to be addressed in the recommendations	January 5, 2011 (one session)
Board staff distributes first draft of proposed recommendations	Mid January, 2011
Discussion and revision of recommendations	February, 2011 (2 or 3 sessions)
Board staff distributes revised recommendations	Early March, 2011
Final review of recommendations	Mid-march, 2011 (by e-mail or session)
Board staff provides recommendations to the Board	Late March, 2011

The Board's policy determination on the recommendations will follow the receipt of comments on the recommendations from all interested stakeholders.

First meeting of the Working Group

The Working Group will convene on January 5, 2011 at 9:30 a.m. in the Board's North Hearing Room (2300 Yonge Street, 25th floor) to discuss and finalize the issues that will be addressed in the recommendations. A draft list of issues to be discussed is attached as Appendix 1 to this letter. Please consider what additions or changes need to be made to the draft issues. If possible, please provide your suggestions to Bill Cowan at bill.cowan@oeb.gov.on.ca by December 31, 2010, and copy the Working Group. A list of e-mail addresses for the Working Group members is attached as Appendix 2 to this letter.

Yours truly,

Original Signed By

John Pickernell
Assistant Board Secretary

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Appendix 1

Draft – Proposed Issues

Version of GAAP to Use in a Particular Year in an IRM Rates Application

1. Does the Board policy¹ provide sufficient guidance as to when to begin to use modified IFRS in a rates application for a rebasing year that precedes an IRM rate-setting period? If not, what additional guidance is required?
2. What, if any, additional guidance does the Board need to provide as to when to begin to use modified IFRS in support of an IRM application (e.g., earnings sharing calculation) in a multi-year IRM regime?

Version of GAAP to Use in an Earnings Sharing Calculation

3. Should the Board continue to use the same basis of GAAP as was used in approving the underlying rates in determining earnings sharing amounts, where applicable²?
4. When an earnings sharing calculation involves a period after the year of adoption of IFRS, will the Board accept an earnings sharing calculation using audited modified IFRS values with an unaudited reconciliation to C-GAAP in the case where base rates were approved using C-GAAP³?

Matters Giving Rise to Potential Regulatory Deferral/Variance Accounts

5. Should the Board grant a generic deferral account for any one-time difference arising out of the conversion to IFRS during the year prior to official adoption of IFRS (the comparative financial statement year opening balances issue)?
6. Should the Board grant a generic deferral or variance account for any one-time difference arising out of the conversion to IFRS at the date of adoption of IFRS?
7. Should the Board grant a generic deferral account for the financial impact of changes after adoption of IFRS resulting from new IFRS standards or changes in existing IFRS standards arising during an IRM regime?
8. Should the Board grant a generic variance account to capture any differences arising after adoption of IFRS in depreciation expense caused by changes in estimated useful life of in-service Property, Plant and Equipment in either an IRM or Cost of Service regime?⁴
9. Given the optional one year delay in adopting IFRS, are there changes in accounting policy within C-GAAP that the Board requires utilities to adopt for regulatory accounting purposes prior to transition to IFRS, e.g., adjusting service lives for

¹ Report of the Board – Transition to IFRS, July 28, 2009, and amendment to Appendix 2, November 8, 2010

² See Board Report, issue 9.2.2

³ Ibid

⁴ See Board Report, page 22

PP&E, adjusting overhead capitalization policy relating to the cost of self-constructed assets?

Other Matters

10. Are there special implications associated with IFRS-related corporations tax or PILs impact during an IRM period for which additional IFRS transition related guidance is required from the Board? ⁵
11. Should the Board specify that it will not accept rate applications or RRR reports prepared using any form of GAAP other than IFRS?
12. Should the Board accept entity specific selection of interest rates or continue to prescribe accounting interest rates?

⁵ See Board Report, page 23

Appendix 2 - E-Mail Addresses

IFRS IRM Working Group Participants

Entity	Representative and E-Mail Address
Ontario Energy Board	boardsec@oeb.gov.on.ca Participants: Bill Cowan and Jennifer Lea bill.cowan@oeb.gov.on.ca jennifer.lea@oeb.gov.on.ca
Brantford Power Inc	Participant: Glenda Maldonado gmaldonado@brantford.ca
Canadian Manufacturers and Exporters (CME)	Participant: Peter C.P. Thompson pthompson@blg.com
Cornerstone Hydro Electric Concepts (GHEC)	Participant: David S. Proctor david.proctor@sympatico.ca
Electricity Distributors Association	Participant: Dev Pasumarty dpasumarty@eda-on.ca
Enbridge Gas Distribution Inc	Participant: Barry Yuzwa barry.yuzwa@enbridge.com cc John Joza; Kevin Culbert john.jozsa@enbridge.com kevin.culbert@enbridge.com
Enersource Hydro Mississauga	Participant: James Macumber jmacumber@enersource.com
Hydro One Networks Inc	Participant : Frank D'Andrea frank.dandrea@HydroOne.com cc Anne-Marie Reilly regulatory@hydroone.com
Ontario Power Generation	Participant: Randy Pugh randy.pugh@opg.com
Powerstream Inc	Participant: Tom Barrett tom.barrett@powerstream.ca
School Energy Coalition	Participant: Jay Shepherd jay.shepherd@canadianenergylawyers.com
Union Gas	Participant: Pat Elliott pelliott@uniongas.com
Veridian Connections Inc	Participant: Laurie McLorg lmclorg@veridian.on.ca
Vulnerable Energy Consumer Coalition (VECC)	Participant: James Whitman jwrightman@ecoanalysis.ca cc Michael Buonaguro mbuonaguro@piac.ca
Waterloo North Hydro Inc	Participant : Chris Amos camos@wnhydro.com