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October 12, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2011-0268 - Submission of London Property Management Association

Please find attached the final submission of the London Property Management Association in the above noted proceeding.

Yours very truly,

Randy Aiken

Randy Aiken
Aiken & Associates

c.c. Susan Frank, Hydro One

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an application by Hydro One Networks Inc. for an order or orders approving a transmission revenue requirement and rates and other charges for the transmission of electricity for 2011 and 2012.

AND IN THE MATTER OF a Motion by Hydro One Networks Inc. pursuant to the Ontario Energy Board's *Rules of Practice and Procedure* for a review by the Board of its Decision with Reasons EB-2010-0002 dated December 23, 2010.

SUBMISSIONS OF THE
THE LONDON PROPERTY MANAGEMENT ASSOCIATION

Introduction

In the Decision, Notice of Hearing and Procedural Order No. 1 dated August 25, 2011, the Ontario Energy Board ("Board"), on its own motion, commenced a hearing under section 78 of the *Ontario Energy Board Act, 1998* to consider adjustments to Hydro One's 2012 Transmission revenue requirement and other adjustments and variance accounts that may be necessary should Hydro One use US GAAP rather than modified IFRS for regulatory purposes. The Board further indicated that it was restricting its consideration of the 2012 Transmission revenue requirement and transmission rates to adjustments consequent on the adoption of US GAAP by Hydro One.

On September 6, 2011 Hydro One filed additional material in support of its request to use US GAAP for regulatory purposes. A number of intervenors filed interrogatories on or before September 22, 2011. Hydro One provided responses to these interrogatories on September 30, 2011.

These are the submissions of the London Property Management Association ("LPMA") with respect to Hydro One's request to use US GAAP for regulatory purposes.

LPMA supports the Hydro One request and submits that the Board should approve the request for a number of reasons, each of which is discussed below.

Reduction in Revenue Requirement

As indicated in the material filed by Hydro One, the reduction in the transmission revenue requirement is significant if US GAAP is used in place of MIFRS to calculate the revenue requirement. As shown in Exhibit I, Tab 3, Schedule 5, the reduction in the revenue requirement in 2012 is \$195 million based on the use of US GAAP in place of MIFRS. Furthermore, the reduction in the revenue requirement based on the use of US GAAP extends beyond 2012.

LPMA notes that Hydro One filed a letter dated August 11, 2011 in which it indicated that the Ontario Securities Commission had approved the filing of Hydro One's financial statements in accordance with US GAAP for the financial years commencing on or after January 1, 2012 but before January 1, 2015 and the interim periods therein.

As shown in Exhibit I, Tab 3, Schedule 5, the transmission revenue requirement in 2013 and 2014 are both expected to be significantly lower based on the use of US GAAP as compared to MIFRS. Over the 2012-2014 period for which Hydro One has approval to use US GAAP for financial reporting purposes, the total reduction in the revenue requirement is nearly \$550 million. If Hydro One is allowed to continue to US GAAP beyond January, 2015, the reductions forecast for 2015 and 2016 are also significant, averaging more than \$150 million per year.

LPMA submits that these reductions in the revenue requirement over the next number of years are significant and result in substantial savings for ratepayers. As shown in the response to Exhibit I, tab 1, Schedule 2, the impact on a typical residential customer consuming 800 kWh per month is a reduction in the total bill increase associated with transmission costs from 2.0% to 0.9%. The reduction is from an increase of \$2.48 per

month to \$1.07, or a decrease of \$1.41 per month, or nearly \$17 a year. The savings for general service customers of all sizes will also be substantial.

Stakeholder Benefits of Using US GAAP

In addition to the benefits that accrue to ratepayers of lower transmission rates noted in the above section, there are benefits to other stakeholders. LPMA agrees with the response provided by Hydro One in Exhibit I, Tab 1, Schedule 5.

First, distribution customers of Hydro One will benefit from smaller rate increases because of the use of US GAAP. In particular, Hydro One has estimated that the use of US GAAP would result in an approximate rate impact of -14% in 2012, as compared to MIFRS (Exhibit I, Tab 1, Schedule 3). Further, the use of MIFRS instead of US GAAP would result in an increase of about 5% on the total bill, or \$6.59 per month for a typical residential customer (Exhibit I, Tab 1, Schedule 2).

Second, the Province of Ontario, the sole shareholder, will benefit from lower electricity rates and support provincial economic priorities. LPMA also notes the higher retained earnings available to Hydro One and its shareholder under US GAAP that is estimated to be in the range of \$2 billion.

Third, the external financial community should benefit from the alignment of the accounting frameworks used for external financial reporting and for rate making purposes. This should provide greater clarity and transparency to the financial community which would benefit all parties.

Reduced Costs

Hydro One has indicated that there will be reduced costs associated with a consistent accounting framework used for external financial reporting and rate setting. The additional costs associated with using two sets of books to reflect US GAAP and MIFRS are associated with a number of issues listed in Exhibit I, Tab 1, Schedule 12.

LPMA supports the use of one set of books in order to avoid additional, and in the view of LPMA, unnecessary costs which would be recovered from ratepayers.

No Significant Accounting Differences

Hydro One has indicated that it has not identified any significant accounting differences that would impact the 2012 revenue requirement between US GAAP and Canadian GAAP (Exhibit I, Tab 2, Schedule 3). The only significant differences identified were related to the disclosure-related issues and the specialized areas of pensions and financial instruments noted at page 4 of Exhibit D1, Tab 1, Schedule 1. As noted in the response to part (b) of Exhibit I, Tab 2, Schedule 3, Hydro One has not identified any impacts on the revenue requirement related to these specialized areas in US GAAP as compared to Canadian GAAP.

Summary

LPMA submits that given the benefits to ratepayers, the shareholder and the external financial community and the lack of any evidence of negative impacts of moving to US GAAP instead of MIFRS, the Board should approve the use of USGAAP for rate setting purposes.

LPMA further submits that the Board should approve the requested continuation, establishment and discontinuance of the regulatory asset accounts listed on page 1 of Exhibit D1, Tab 1, Schedule 1.

All of which is respectfully submitted this 12th day of October, 2011.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association