OSHAWA (EB-2011-0073) AND MIFRS

There are a number of tables in the pre-filed evidence that should be confirmed and/or updated to ensure that the evidentiary record on MIFRS and an understanding of its impact is current and complete. The comparison requires that 2011 and 2012 be completed on both a CGAAP and MIFRS basis.

<u>1. Capitalization Change due to transition to MIFRS (Board Staff Interrogatory 63a, 67b)</u>

- Confirm that impact of capitalization change due to transition to MIFRS for the test year 2012 is a decrease in fixed assets of $505,000 and an increase of OM&A of $505,000
- Please explain impact of capitalization change on the transition year/bridge year 2011 – what is decrease in rate base and increase in OM&A?
- Please provide supporting documentation from OPUCN's external auditor/professional advisor of the capitalization change due to transition to MIFRS and any other supporting documentation from external auditor/professional advisor for MIFRS impacts/advice

<u>2. Depreciation Expense Change due transition to MIFRS (Board Staff Interrogatory 63a)</u>

- Confirm that impact of deprecation expense change due to transition to MIFRS (adoption of new depreciation rates and reduction to fixed assets) for the test year is a decrease of $152,000
- Please explain impact of depreciation expense change on the transition year/ bridge year 2011 – what is the impact on 2011 depreciation expense
- Would the impact of depreciation expense change for the test year still be a decrease of $152,000, considering the reduction to fixed assets that may need to be made for the 2011 bridge year?

<u>3. 2011 Fixed Asset Continuity Schedule (Ex. 2 p.47 table 10)</u>

- Confirm that the table in the pre-filed evidence is CGAAP based
- Complete on an MIFRS basis
- Ensure that on an MIFRS basis the continuity of historical cost is established by OPUCN by using the December 31, 2010 regulatory gross capital cost and accumulated depreciation values as the opening January 1, 2011 regulatory gross capital cost and accumulated depreciation values
- Compare the two versions ("Total before work in progress" line) and explain the difference; if applicable also note whether reflects redistribution between plant types due to asset componentization.

4. <u>2012 Fixed Asset Continuity Schedule (Ex. 2 p.53 table 11)</u>

- Confirm the basis on which the table was prepared, MIFRS or CGAAP
- As necessary, complete on an MIFRS and/or CGAAP basis.
- Compare the two versions ("Total before work in progress" line) and explain the difference

<u>5. 2011 Depreciation Expense Summary (Ex. 4 p.67 table 31)</u>

- Confirm that the table in the pre-filed evidence is CGAAP based
- Complete on an MIFRS basis
- Compare the two versions ("Total" line) and explain the difference.

<u>6. 2012 Depreciation Expense Summary (Ex. 4 p.68 table 32)</u>

- Confirm the basis on which the table was prepared, MIFRS or CGAAP
- As necessary, complete on an MIFRS and/or CGAAP basis.
- Compare the two versions ("Total" line) and explain the difference.

<u>7. Summary – OM&A Expenses (Ex 4 p.7 table 1 cols. 2011 Bridge 2012 Test)</u>

For each of 2011 Bridge and 2012 Test

- Confirm the basis on which the table was prepared, MIFRS or CGAAP

- As necessary, complete on an MIFRS and/or CGAAP basis.
- Compare the two versions (“Total OM&A expense” line) and explain the difference.

8. Employee Compensation (Ex. 4 p.48 table 23)

For each of 2011 Bridge and 2012 Test

- Confirm the basis on which the table was prepared, MIFRS or CGAAP
- As necessary, complete on an MIFRS and/or CGAAP basis.
- Compare the two versions (“Total Compensation”, Total Compensation Charged to OM&A”, and “Total compensation Capitalized” lines and explain the difference.

9. PILs (Ex. 4 p.71 table 36)

For each of 2011 Bridge and 2012 Test

- Confirm the basis on which the table was prepared, MIFRS or CGAAP
- As necessary, complete on an MIFRS and CGAAP basis, with revised depreciation numbers added back to taxable income. These depreciation numbers should tie to the fixed asset continuity schedules

10. Impact on Rate Base, Revenue Requirement and PP&E Deferral Account (Response to Board Staff Interrogatory 63b)

For each of CGAAP and MIFRS columns

- Confirm the basis that the tables were prepared – i.e. that it is a true comparison between MIFRS and CGAAP
- As necessary, complete on an MIFRS and CGAAP basis
- Ensure that capitalization change (decrease in rate base, increase in OM&A) and depreciation expense change are reflected in both bridge and test years
    - Please update the “Impact on Rate Base” table, “Impact on Revenue Requirement” table, and “Deferral Account in Relation to PP&E” table accordingly

11. Revenue Requirement Work Form (Board Staff Interrogatory 64d)

- Please update the Revenue Requirement Work Forms for the Test Year and prepare the form under two different bases: CGAAP and MIFRS

12. Other Post-Employment Benefits (Board Staff Interrogatory 70)

OPUCN is proposing to recover approximately $2.6 million of unamortized actuarial losses as a result of the election under IFRS1 to charge this amount to retained earnings on the date of transition, January 1, 2011. OPUCN is proposing to dispose of the deferral account over a period of four years.

a) I am trying to understand the derivation of the $2.6 million unamortized actuarial loss.

- As per the attached OPUCN Dec 31, 2009 audited financial statements, Note 10 page 18, the discount rate applied to the calculation of future benefits increased to 6.25% as at December 31, 2009 from 5.25% as at December 31, 2008.
- An increase in the discount rate would imply an actuarial gain, not an actuarial loss.
- As per the attached OPUCN December 31, 2010 audited financial statements, Note 8 page 15, the discount rate applied to the calculation of future benefits did not change from 2009 and remained at 6.25% as at December 31, 2010.
- As the discount rate did not change at year-end 2010 versus 2009, this would mean that an unamortized actuarial gain would still be an existence.
- Therefore, I am uncertain why OPUCN has stated that it would have an actuarial loss at the date of transition, January 1, 2011, rather than an actuarial gain. Please explain.

b) Do you agree that that under CGAAP, the amount above the corridor (the corridor is 10% of the greater of the obligation and the fair value of plan assets at the beginning of the period) may have been recovered through rates over the average remaining service life of employees by using the corridor method – a portion of this amount may have been recognized as expense each year in OM&A
c) Do you agree that under CGAAP, the amount below the corridor would never have been recovered in rates using the corridor method as this amount would not have been recognized?
d) I am interested in knowing what amount of the $2.6 million would have been below the corridor and would never have been recovered through rates over time.
e) What were the drivers behind the $2.6 million actuarial loss.
f) What is the average remaining service life of the employees?
g) Please provide the actuarial valuation report for OPEBs which supports the $2.6 million actuarial loss as at the date of transition, January 1, 2011.
h) Has OPUCN's external auditor completed the audit of the January 1, 2011 opening balance sheet IFRS numbers? What number has been included as a charge or increase to retained earnings for the proposed actuarial gain or loss? Please provide supporting documentation.
i) Please confirm that the reduction of other post-employment benefit expense for each of the 2011 bridge year and 2012 test year is approximately $94,000. Please show how this number was derived. Please show where in OPUCN's evidence this number is subtracted from OM&A for the 2011 and 2012 years.
j) I don't understand that $94,000 is the correct number to subtract from OM&A because $2.6 million divided by $94,000 gives an average remaining service life of 27.7 years which seems high. Please explain.
k) Please confirm that $94,000 is the correct number to show as a reduction of other post-employment benefit expense, even after considering the amount below the corridor that would never have been collected in rates.
l) Please confirm that this amount is proposed to be collected from customers through a four year deferral and variance account rate-rider.
m) Please show where in the rate design portion of the evidence that the OPEB deferral account is proposed to be collected through rates over 4 years.
    a. If this amount has not been incorporated into the rate design, please update the rate design accordingly.
n) Board Staff IR #70 part c) and d) were not answered.
    a. Has OPUCN applied the optional early adoption to the IASB's June 2011 revisions to IAS 19? These revisions are effective January 1, 2013 and include the elimination of the option to defer recognition of gains and losses (incurred after the transition date of January 1, 2011), known as the "corridor method."
    b. Please explain if OPUCN has "early adopted' this element of IAS 19 and state whether the impacts of this early adoption are incorporated anywhere in the revenue requirement.