

**BOARD STAFF INTERROGATORIES  
HYDRO ONE NETWORKS INC.  
DISTRIBUTION REVENUE REQUIREMENT & RATES (USGAAP)  
EB-2011-0399  
December 22, 2011**

**1. Ref: EB-2008-0408 Addendum to Report of the Board, June 13, 2011  
EB-2011-0268 Board Staff Interrogatory #11**

The Board's Addendum, in Issue 2, makes provision for a Property Plant and Equipment deferral account to capture certain differences arising from the transition to IFRS. The Board notes at page 19 of the Addendum that the account may not be necessary for utilities that adopt US GAAP rather than IFRS.

As per the response to EB-2011-0268 Board Staff Interrogatory #11, Hydro One Transmission stated that "Hydro One Networks does not intend to make use of this Property, Plant and Equipment deferral account if US GAAP is adopted for rate making purposes."

- i) Please confirm that Hydro One Networks (including Distribution) still intends to not make use of the Property, Plant and Equipment deferral account for rate making purposes.
- ii) If this is not the case, please explain why the account is necessary and provide an estimate of the amounts that would be captured in the account.

**2. Ref: EB-2011-0268 Board Staff Interrogatory #13**

As per the response to EB-2011-0268 Board Staff Interrogatory #13, Hydro One Transmission stated that "Hydro One does not have detailed estimates of the future costs of transitioning to US GAAP available but does not expect that incremental costs will be significant."

- i) Does Hydro One have detailed estimates of the costs of transitioning to US GAAP now available? Please explain.
- ii) Does Hydro One still expect that incremental costs will not be significant? Please explain.

**3. Ref: Exhibit D1/Tab1/Sch1/p.1 – Impact for Changes in IFRS Account**

Hydro One has requested that the "Impact for Changes in IFRS Account" be discontinued.

- i) Please indicate if any amounts have been entered into this account and if so, how Hydro One proposes to deal with this account balance.
- ii) Please state if any of the balances that were entered into these accounts have been incorporated into the proposed revenue requirement or deferral/variance account balance in this application.

**4. Ref: Hydro One Letter December 1, 2011  
EB-2009-0096 Rate Order**

In its letter dated December 1, 2011, Hydro One stated:

At this time, Hydro One is not requesting any change to its approved 2011 or 2012 distribution rates in this application. Rather, Hydro One expects its currently approved 2011 distribution rates to continue into 2012 and all appropriate costs will continue to be tracked in Board approved deferral and variance accounts, including its green energy related expenditures for Smart Grid, Express Feeders and other renewable generation.

As per the rate order from EB-2009-0096, rates were first made effective May 1, 2010 and then adjusted on January 1, 2011. There are several deferral and variance account rate riders included in these approved distribution rates.

- i) Are there any deferral and variance account rate riders included in approved 2011 distribution rates that have reached their sunset date as at December 31, 2011 or April 30, 2011 and should not be included into 2012 rates? Please explain.

**5. Ref: Exhibit D1/Tab1/Sch1/p.2 IFRS – Incremental Transition Costs Account**

- i) Please indicate if any entries have been made to this account and the rationale for making these entries, and report the current balances as of December 31, 2011. Please state the amount of IFRS Transition Costs that were embedded in the 2010 and 2011 revenue requirement approved in EB-2009-0096.
- ii) Please describe Hydro One's intention for recovery of amounts in the Incremental Transition Costs Account; specifically, how and when are the amounts proposed to be recovered?

**6. Ref: EB-2011-0268 Board Staff Interrogatory #22 – Pensions and OPEBs**

As per the EB-2011-0268 response to Board Staff Interrogatory #22 iii) and v) a) & e) Hydro One stated:

...under US GAAP, Hydro One Networks' Distribution and Transmission businesses would still report pension costs on a cash basis externally using rate regulated accounting...

Both Hydro One Networks' Distribution and Transmission businesses recover their pension costs on a cash basis.

The Deferred Pension Asset does not meet the approved scope of the Pension Cost Differential Account.

- i) Under US GAAP, does Hydro One still plan on reporting pension costs on a cash basis externally using rate regulated accounting? If this is not the case, please explain.
- ii) Under US GAAP, does Hydro One still plan to recover their pension costs on a cash basis? If this is not the case, please explain.
- iii) Please confirm that the Deferred Pension Asset, as described on page 67 of Hydro One Inc.'s December 31, 2010 audited financial statements, still does not meet the approved scope of the Pension Cost Differential Account. If this is not the case, please explain.

**7. Ref: Exhibit D1/Tab1/Sch1/p.3 Impact for US GAAP Account  
EB-2011-0268 Board Staff Interrogatory #21**

- i) Hydro One stated in the response to EB-2011-0268 Board Staff Interrogatory #21 that "Hydro One has not yet identified any significant differences that would be recorded in this account."

Please state whether Hydro One has now identified any significant differences that would be recorded in this account. Please explain.

- ii) Please describe the differences between CGAAP and US GAAP referred to in this section and provide an estimate of the debits and credits that Hydro One anticipates will be recorded in this account.
- iii) Please confirm that no other deferral and variance accounts are affected by the change to US GAAP from CGAAP.

- iv) Has Hydro One identified any impact relating to the transition to US GAAP on balances embedded in revenue requirements or deferral/variance account balances approved in EB-2009-0096 or prior decisions specifically relating to employee future benefits and financial instruments?
- v) Please describe Hydro One's intention for recovery of amounts in the Impact for US GAAP Account; specifically, how and when are the amounts proposed to be recovered?

**8. Ref: EB-2011-0268 Board Staff Interrogatory #25  
EB-2011-0268 Board Staff Interrogatory #23  
Exhibit D1/Tab1/Sch1/p.2 Impact for US GAAP Account**

In the EB-2011-0268 response to Board Staff Interrogatory #25, Hydro One stated:

There is no transition impact related to existing financial instruments resulting from the transition from CGAAP to US GAAP.

As per Exhibit D1/Tab1/Sch1/p.2, Impact for US GAAP Account, Hydro One stated:

Hydro One has carried out an initial review of the differences between Canadian and US GAAP to understand how they impact its business. Many differences are disclosure related while others relate to specialized areas such as pensions and financial instruments.

In the EB-2011-0268 response to Board Staff Interrogatory #23 iv), Hydro One stated:

When US GAAP is adopted, pension expense will continue to be recognized under cash basis given the continuance of regulatory accounting.

Under both US GAAP and IFRS, employee future benefits other than pension will continue to be recognized under an accrual basis similar to CGAAP

- i) Please explain why Hydro One is stating that there are differences between Canadian and US GAAP related to financial instruments when in EB-2011-0268 Hydro One stated that there is no impact related to financial instruments with the move to US GAAP.
- ii) Please explain why Hydro One is stating that there are differences between Canadian and US GAAP related to pensions when in EB-2011-0268 Hydro One stated that under US GAAP, pension expense will continue to be recorded under cash basis and employee future benefits other than pension will continue to be recognized under an accrual basis, similar to CGAAP.

**9. Ref: Exhibit C/Tab1/Sch2/Attachment 2 (EB-2011-0268 Board Staff Interrogatory #3)**

In this attachment and EB-2011-0268 interrogatory response, Hydro One indicates that OM&A expenses will fall by \$170 million if USGAAP is adopted rather than MIFRS. Please provide a further detailed breakdown (by major categories and sub-categories) of this amount for 2012.

**10. Ref: Exhibit C/Tab1/Sch1/page 4**

Hydro One indicates that in its next distribution cost of service application, it will address the potential disadvantage raised by intervenors and Board staff of the increased difficulty in benchmarking Hydro One Distribution to other Ontario LDCs after it adapts US GAAP. Does Hydro One have any preliminary findings or information on these benchmarking issues? Please provide a summary of the work completed to date.

**11. Ref: Exhibit C/Tab1/Sch1/page 3 and EB-2011-0268 Board Staff Interrogatory #14**

At this reference, Hydro One discusses depreciation implications of adopting USGAAP. Hydro One provided additional information on this issue in the Transmission USGAAP application in the response to Board Staff Interrogatory # 14. Please address the issues raised in the Board staff interrogatory in the context of Distribution. Are there any additional depreciation issues that arise in Distribution?

**12. Ref: Exhibit B/Tab3/Sch1/EB-2011-0268 Decision, page 13**

In its EB-2011-0268 Decision concerning adoption of USGAAP for Transmission, the Board required Hydro One to conduct a critical review of its current and proposed capitalization policies.

- i) Does Hydro One have the same capitalization policies across Hydro One Networks and therefore for both transmission and distribution businesses? If not, how or in what ways, do the capitalization policies differ between transmission and distribution?
- ii) In completing the capitalization study for transmission, will Hydro One also consider the implications on capitalization policies for distribution?

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