



EB-2011-0432

NOTICE OF APPLICATION AND HEARING AND PROCEDURAL ORDER NO. 1

Ontario Power Generation Inc.

Ontario Power Generation Inc. (“OPG”) filed an accounting order application with the Ontario Energy Board, (the “Board”) on December 29, 2011 under section 78.1 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule B). The application seeks approval to establish a deferral account to record the financial impacts resulting from the transition to and implementation of the Generally Accepted Accounting Principles of the United States (“USGAAP”) from January 1, 2012 to the effective date of the next payment amounts order. The Board has assigned the application File No. EB-2011-0432.

The application states that OPG is in the midst of an assessment of the differences between Canadian Generally Accepted Accounting Principles (“CGAAP”) and USGAAP. OPG proposes that the balance in the account and disposition be reviewed as part of the next payment amounts application.

The Board will adopt as intervenors and observers in this proceeding the intervenors and observers from the 2011-2012 payments amount proceeding (EB-2010-0008). A list of the parties of record in that proceeding is attached as Appendix A. Cost eligibility is addressed below.

The Issue

The Board provided policy guidance on the topic of the transition to International Financial Reporting Standards (“IFRS”) in the *Report of the Board, Transition to IFRS* dated July 28, 2009 (EB-2008-0408). The Addendum to the Report of the Board, issued on June 13, 2011, addressed implementation of IFRS in an Incentive Rate

Mechanism environment. In the Addendum, the Board considered the use of USGAAP as an alternative to IFRS. Appendix A of the Addendum states:

The Board requires a utility that adopts USGAAP or an alternate accounting standard other than IFRS, in its first cost of service application following the adoption of the new accounting standard, to:

- demonstrate the eligibility of the utility under the relevant securities legislation to report financial information using that standard;
- include a copy of the authorization to use the standard from the appropriate Canadian securities regulator (if applicable); and
- set out the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation.

The Addendum noted that the Board must consider the general public interest in ensuring efficiency and consistency in utility regulation in Ontario¹ and retains the authority to require specific accounting standards and practices for regulatory purposes in any case where the Board finds that the public interest requires uniformity in those standards and practices among utilities.²

OPG states that its next payment amounts application will be based on USGAAP. The authorizations and approvals necessary to enable OPG to use USGAAP for financial reporting will be provided with the payment amounts application. OPG also states that its assessment of the impacts of adopting USGAAP is not complete and the actual amount may be higher or lower than the current estimate. OPG will provide further information to support the amounts recorded in the deferral account.

As key information will not be available, or will not be confirmed, until the filing of the payment amounts application, the Board is of the view that initiating a discovery process on the request for the deferral account would likely produce unsatisfactory results.

The Board is therefore considering granting the deferral account on the following terms:

- As is the case with all deferral accounts, the approval of the establishment of the deferral account provides no indication at all of recovery of any of the balance;

¹ Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment, p 19

² Ibid, Appendix A

- Approval of the establishment of the deferral account has no bearing on the Board's determination with respect to the adoption of USGAAP for regulatory accounting purposes in OPG's next payment amounts application; and
- The manner in which OPG will track and record items in the deferral account will be determined in the next payment amounts application.

The Board invites submissions from parties on whether the above proposal is appropriate or whether there is a need for further discovery of OPG's evidence filed in this application. Following review of the submissions, the Board will either issue a decision on OPG's request or reassess the need for further discovery of OPG's evidence.

The Board considers it necessary to make provision for the following procedural matters. The Board may issue further Procedural Orders from time to time.

THE BOARD ORDERS THAT:

1. Board staff and intervenors who wish to file a written submission on this issue shall file the submission with the Board and deliver it to all other parties to the proceeding on or before **February 3, 2012**.
2. If OPG wishes to respond to any submissions, it may do so by filing a response with the Board and delivering it to all other parties to the proceeding on or before **February 13, 2012**.
3. The Board may order costs in this proceeding. Any party that was determined to be eligible for costs in the 2011-2012 Payment Amounts proceeding shall be eligible for costs in this proceeding. Any party that is not automatically eligible for costs but expects to seek costs in this proceeding shall file a letter with the Board and copy OPG no later than **January 18, 2012**. The letter shall provide the grounds for the party's eligibility for costs. OPG will have until **January 23, 2012** to object to any new cost eligibility request. Requests for cost eligibility and the determination of cost awards will be addressed in accordance with the Board's *Practice Direction on Cost Awards*. OPG will be ordered to pay costs for this proceeding.

All filings to the Board must quote the file number, EB-2011-0432, be made through the Board's web portal at <https://www.errr.ontarioenergyboard.ca>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Violet Binette at violet.binette@ontarioenergyboard.ca and Board Counsel, Michael Millar at michael.millar@ontarioenergyboard.ca.

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ISSUED at Toronto, January 13, 2012

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX "A"
TO
NOTICE OF APPLICATION AND HEARING AND
PROCEDURAL ORDER NO. 1
BOARD FILE NO: EB-2011-0432
ISSUED: JANUARY 13, 2012

**Ontario Power Generation Inc.
EB-2011-0432**

APPLICANT & LIST OF INTERVENORS

January 13, 2012

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