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January 18, 2012

Reply To: Thomas Brett
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Our File No. 117021

VIA EMAIL AND COURIER

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

Dear Ms. Walli:

**Re: Board File No. EB-2011-0210
Union Gas Limited – 2013 Rebasing
Building Owners and Managers Association Toronto Interrogatories**

Please find attached the Interrogatories of Building Owners and Managers Association Toronto ("BOMA") in the EB-2011-0210 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

FOGLER, RUBINOFF LLP

A handwritten signature in blue ink that reads 'Tom Brett per: [initials]'. The signature is written in a cursive, flowing style.

Thomas Brett
TB/dd
Encl.

Ontario Energy Board

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 Union Gas
Limited, pursuant to section 36(1) of the *Ontario Energy Board
Act, 1998*, for an order or orders approving or fixing just and
reasonable rates and other charges for the sale, distribution,
transmission and storage of gas as of January 1, 2013.

**INTERROGATORIES OF
BUILDING OWNERS AND MANAGERS ASSOCIATION TORONTO
("BOMA") ON THE PRELIMINARY ISSUE**

January 18, 2012

**UNION GAS LIMITED
EB-2011-0210**

**BUILDING OWNERS AND MANAGERS ASSOCIATION TORONTO
INTERROGATORIES**

Reference: A2, T4

1. Please provide the costs Union has incurred to date, whether in 2011, 2012 or in 2013, and an estimate of future costs, of planning and implementing the change to US GAAP.
2. In EB-2008-0408, the Board stated:

"A utility, in its first cost of service application following the adoption of the new accounting standard, must 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) showing any conditions or limitations, and set out the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation."

Please explain in detail, (a) the benefits to the utility and its ratepayers; and (b) the disadvantages to the utility and its ratepayers of moving from Canadian GAAP to US GAAP, compared with moving from Canadian GAAP to IFRS. Please explain each benefit and disadvantage to the company and its ratepayers in detail, with particular attention to the impact on ratepayers. Among other things, please show the impact of the change on the revenue requirement. Please address, among other factors:

- (i) the differences in capitalization policy under US GAAP and IFRS and the impacts of each on utility earnings and the revenue requirement, compared with Canadian GAAP. Please explain fully each link in the chain leading from the increase or decrease in the amounts capitalized that would be expensed or otherwise accounted for, and the resulting change to earnings and the revenue requirement;
- (ii) the differences in accounting for depreciation (policies, levels, rates, other) that would result in moving from Canadian GAAP to US GAAP versus IFRS; and

- (iii) the differences in impact on each of the existing Union deferral accounts from moving from Canadian GAAP to US GAAP, compared to moving to IFRS.

Reference: EB-2011-0210, A2, T4, p3 of 6

3. Employee Future Benefits Expense

In Union's evidence dealing with the creation of a deferral account for the amount recognized in retained earnings associated with transitioning accounting standards and reporting to US GAAP for previously unrecorded pension and post-retirement expenses, Union stated that amount that will remain in the deferral account at the end of 2012 would be approximately 7 million dollars (10 million dollars on January 1, 2012). Under Canadian GAAP, that amount would be amortized as a utility expense over the years 2013 to 2017. Under US GAAP, it must be charged to retained earnings in 2012. In order not to disadvantage ratepayers, can you confirm that Union will propose, when seeking clearance of the account, assuming that one is created or otherwise, to collect the 7 million dollars from ratepayers over the same period, 2013 to 2017, as would have been the case under Canadian GAAP?

Reference: A2, T4, P2

- 4. "The anticipated impact to Union of the adoption of IFRS is a substantial retained earnings loss and ongoing income statement volatility and uncertainty".
 - (a) Please compare the retained earnings loss at the time of adoption of moving to US GAAP, with the retained earnings loss on the adoption of IFRS. Please identify, quantify and explain for each item, the difference in accounting treatment, that contributes for the retained earnings loss.
 - (b) Please explain further the relative increase in "ongoing income statement volatility and uncertainty" in moving to US GAAP relative to moving to IFRS.
- 5. (a) Please provide details on the difference between US GAAP and Canadian GAAP, other than on the timing of the recording and amortization of unrecorded actuarial losses.
 - (b) With respect to Employee Future Benefits Expenses, how are actuarial losses that may occur and be recognized in the future dealt with under Canadian GAAP, US GAAP, and IFRS? Please explain.

6. Capitalization Policies. At EB-2011-0268, p. 13, the Board notes that "Some commentators have suggested that one of the primary virtues of the IFRS accounting format is a degree of regularization of capitalization practice". What is the difference in capitalization policies under IFRS, US GAAP, and Canadian GAAP? Does IFRS provide for a more uniform capitalization practice than either US GAAP or Canadian GAAP? Please discuss.