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February 3, 2012

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-2011-0210 - London Property Management Association - Submissions on Preliminary Issue

Please find attached the Submissions of the London Property Management Association with respect to the Preliminary Issue in the above noted application.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: Chris Ripley, Union Gas Limited (e-mail)
Crawford Smith, Torys LLP (e-mail)
Intervenors (e-mail)

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.

SUBMISSIONS OF THE
THE LONDON PROPERTY MANAGEMENT ASSOCIATION

Introduction

In Procedural Order No. 1 the Board noted that it had worked with a full range of stakeholders over the last several years to consider the implications of the anticipated global adoption of International Financial Reporting Standards ("IFRS"). The Board issued the *Report of the Board, Transition to IFRS* in July 2009 and in June 2011 issued the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* ("Addendum Report").

The Addendum Report recognized the need to provide some flexibility to accommodate unique circumstances in terms of permitting rate applications or Reporting and Record Keeping Requirements reporting using US Generally Accepted Accounting Principles ("USGAAP") as an alternative to IFRS.

The Board also noted the application of Union Gas Limited ("Union") was filed on the basis of USGAAP.

The Addendum Report noted that the Board must consider the general public interest in ensuring efficiency and consistency in utility regulation in Ontario, and that it would require utilities to explain the use of an accounting standard other than Modified IFRS ("MIFRS") for regulatory purposes. These requirements are as follows:

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 Board determined that it would consider Union's application for the adoption of USGAAP for regulatory purposes (the "Preliminary Issue") in advance of further procedural steps.

The Board allowed an initial round of interrogatories by registered intervenors and Board staff to seek additional information specifically related to the Preliminary Issue and Union's evidence on the Preliminary Issue. Union filed responses to the interrogatories on January 25, 2012.

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

LPMA supports the Union 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 Union at Exhibit J1.1, and particularly at Attachment 4, the reduction in the revenue deficiency significant if USGAAP is used in place of MIFRS to calculate the revenue requirement. As shown in this attachment, the reduction in the revenue deficiency in 2013 is \$63.6 million based on the use of USGAAP in place of MIFRS. In the response provided to Exhibit J2.1, Union indicates that this \$63.6 million represents an increase in the revenue requirement of approximately 6.7%.

LPMA notes that the reduction in the revenue requirement based on the use of USGAAP would extend beyond 2013 if 2013 is used to set base rates under an IRM mechanism going forward. Even if rates are based on cost of service mechanism in 2014, those rates would be lower based on the use of USGAAP relative to MIFRS.

LPMA submits that the reduction in the 2013 revenue requirement and the subsequent reductions in subsequent years are significant and result in substantial savings for ratepayers during a time of economic distress for residential, commercial, institutional and industrial ratepayers alike.

Stakeholder Benefits of Using USGAAP

In addition to the benefits that accrue to ratepayers of lower distribution rates noted in the above section, there are benefits to other stakeholders.

First, distribution customers of Union will benefit from lower costs if Union is not required to maintain two sets of books. Maintaining account records based on USGAAP and MIFRS would entail additional resources to do so. This incremental cost is ultimately paid for by ratepayers. LPMA also notes the potential for errors associated with multiple ledgers and accounting methodologies noted by Union in the response to Exhibit J1.1. These errors would incur additional costs to investigate and correct, again with the costs ultimately paid for by ratepayers. 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.

Second, the Province of Ontario will benefit from lower gas distribution rates in a time of expected slow economic growth and support provincial economic growth priorities.

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.

Disadvantages of USGAAP vs. MIFRS

Union has indicated that it is not aware of any disadvantages of using USGAAP as opposed MIFRS (Exhibit J1.1, part (b)).

Summary

LPMA submits that given the benefits to all stakeholders and the lack of any evidence of negative impacts of moving to USGAAP instead of MIFRS, the Board should approve the use of USGAAP for rate setting purposes.

All of which is respectfully submitted this 3rd day of February, 2012.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association