

February 3, 2012

File 10329

VIA RESS FILING AND COURIER

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Board Secretary
Ontario Energy Board
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Dear Ms. Walli:

Re: OPG Application for an Accounting Order Establishing a Deferral Account to Capture the Financial Impacts of the Transition to and Implementation of USGAAP (EB-2011-0432)

The Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry. Attached please find a list of PWU employers.

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures ongoing service quality, reliability and safety at a reasonable price for Ontario customers. To this end, please find the PWU's comments on Ontario Power Generation Inc.'s Application for an Accounting Order Establishing a Deferral Account to Capture the Financial Impacts of the Transition to and Implementation of USGAAP (EB-2011-0432).

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

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Doc 813259v1

HONORARY COUNSEL
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List of PWU Employers

Algoma Power
AMEC Nuclear Safety Solutions
Atomic Energy of Canada Limited (Chalk River Laboratories)
BPC District Energy Investments Limited Partnership
Brant County Power Incorporated
Brighton Beach Power Limited
Brookfield Power – Mississagi Power Trust
Bruce Power Inc.
Atlantic Power - Calstock Power Plant
Atlantic Power - Kapuskasing Power Plant
Atlantic Power - Nipigon Power Plant
Atlantic Power - Tunis Power Plant
Coor Nuclear Services
Corporation of the City of Dryden – Dryden Municipal Telephone
Corporation of the County of Brant, The
Coulter Water Meter Service Inc.
CRU Solutions Inc.
Ecaliber (Canada)
Electrical Safety Authority
Erie Thames Services and Powerlines
ES Fox
Great Lakes Power Limited
Grimsby Power Incorporated
Halton Hills Hydro Inc.
Hydro One Inc.
Independent Electricity System Operator
Inergi LP
Innisfil Hydro Distribution Systems Limited
Kenora Hydro Electric Corporation Ltd.
Kincardine Cable TV Ltd.
Kinectrics Inc.
Kitchener-Wilmot Hydro Inc.
Lake Superior Power Inc. (A Brookfield Company)
London Hydro Corporation
Middlesex Power Distribution Corporation
Milton Hydro Distribution Inc.
New Horizon System Solutions
Newmarket Hydro Ltd.
Norfolk Power Distribution Inc.
Nuclear Waste Management Organization
Ontario Power Generation Inc.
Orangeville Hydro Limited
Portlands Energy Centre
PowerStream
PUC Services
Sioux Lookout Hydro Inc.
Sodexo Canada Ltd.
TransAlta Generation Partnership O.H.S.C.
Vertex Customer Management (Canada) Limited
Whitby Hydro Energy Services Corporation

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 Ontario Power Generation Inc. pursuant to section 78.1 of the *Ontario Energy Board Act, 1998* (the "Act") for an Order or Orders determining payment amounts for the output of certain of its generating facilities.

AND IN THE MATTER OF an application by Ontario Power Generation for an Accounting Order establishing a Deferral Account to capture the financial impacts of the transition to and implementation of USGAAP.

Submission of the Power Workers' Union

Ontario Power Generation Inc. ("OPG") transitioned to the U.S. Generally Accepted Accounting Principles ("USGAAP") on January 1, 2012 for accounting and financial reporting purposes. OPG will be applying, consistent with the Ontario Energy Board's (the "OEB" or "Board") guidance provided in EB-2008-0408, for approval to adopt USGAAP for regulatory accounting purposes in its next cost of service application. OPG is applying for an accounting order to establish a Deferral Account to track the financial impacts associated with the transition from Canadian GAAP ("CGAAP") to USGAAP commencing January 1, 2012 to the effective date of OPG's next payment amounts order. In its application OPG states its expectation that the Deferral Account balance and the timing and manner of its disposition will be reviewed as part of OPG's next payment amounts application. In addition OPG notes that there is no rate impact at this time from this application.

Procedural Order No. 1 in this proceeding states that the Board is of the view that as key information will not be available, or confirmed, until the payment amounts application is filed, initiating a discovery process on the request for the Deferral Account

would likely produce unsatisfactory results and that it is 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;**
- **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 its proposal or whether there is a need for further discovery of OPG's evidence filed in this application.

The PWU supports the Board's terms for granting the Deferral Account. The terms ensure that: the consumers are held harmless with regard to the establishment of the Deferral Account; the establishment of the Deferral Account does not commit the Board with regard to the adoption by OPG of USGAAP for regulatory accounting purposes; and, the establishment of the Deferral Account does not commit the manner in which OPG is to track and record items until a determination has been made in the next payment amounts application. In effect the establishment of the Deferral Account will do no more than capture the financial impacts associated with a change from CGAAP to USGAAP, a change over which OPG's management has no control.

In addition to the terms set out by the Board, the PWU submits that there are some fundamental regulatory principles that support granting the Deferral Account.

OPG's current payment amounts are based on CGAAP and as such any differences in payment amounts that would result from the use of USGAAP are not included in OPG's currently authorized payment amounts. As OPG notes in its application, consistent with the Canadian Accounting Standards Board's requirement OPG must discontinue the use of CGAAP after December 31, 2011. Therefore, the requirement to adopt a different accounting standard for financial reporting starting January 1, 2012 is beyond OPG management's control. Further, as described in OPG's application, the amounts to be recorded in the requested Deferral Account arise because of timing differences in

cost recognition between CGAAP and USGAAP with the cost differences continuing until rates are reset as part of the next payment amounts order.

In the matter of the prudence of the costs, the subject costs have been found to be prudent in the Board's approval of current payment amounts. As such the Deferral Account tracks the financial impact of the change in accounting systems on costs that have been established as prudent.

The amounts to be tracked in the Deferral Account are likely to be material and warrant the establishment of a Deferral Account. OPG's current estimate of the main financial impact of timing differences in cost recognition between USGAAP and CGAAP to be approximately \$40M. This estimated amount is related to the difference between USGAAP and CGAAP's treatment of the actuarial gains/losses and past service costs of OPG's long term disability plan ("LTD"). OPG notes that its assessment of the impacts is not complete and that the actual amount may be higher or lower. OPG states that the material cost differences identified to date is the reason it is proposing a Deferral Account.

The use of a Deferral Account will facilitate the orderly and timely preparation of data, information and analysis within the Board's regulatory forum. While OPG's application describes the high level purpose of the requested account, the data to be used and the methodology to be applied are expected to be addressed in OPG's next payment amounts application. By establishing a Deferral Account the OEB will have oversight of the quantification of the amounts to be recorded in the account, and will be able to achieve consistency with the Board's findings in OPG's payment amounts application. The requested Deferral Account is expected to provide a clear record on the financial impacts related to the transition to and implementation of USGAAP, in support of that application. In turn, this will enhance the efficiency of the review of OPG's payment amount application.

Lastly, as OPG notes in its application, there is no impact on the current payment amounts at this time that result from the approval of this application. Those impacts will be determined in the review of OPG's application to adopt USGAAP for regulatory purposes in its next cost of service proceeding.

In conclusion, the PWU submits that the Board's terms for granting OPG the Deferral Account to capture the financial impacts of the transition to and implementation of USGAAP are appropriate and reasonable and the PWU supports the establishment of the requested Deferral Account which is consistent with regulatory principles and will contribute to regulatory efficiency.

All of which is respectfully submitted.