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Susan Frank

Vice President and Chief Regulatory Officer
Regulatory Affairs

BY COURIER

March 28, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700,
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

EB-2011-0399 – Hydro One Networks' Distribution Request for Approval of US GAAP for Rate Setting, Regulatory Accounting & Reporting Purposes – Draft Accounting Order

In accordance with the Ontario Energy Board's Decision and Order dated March, 23, 2012, I am attaching Hydro One Networks' (Hydro One) draft accounting order for each of the new deferral and variance accounts established by that decision.

As procedural matters and for clarification purposes, Hydro One would like to acknowledge that points two and three of the Board's implementation matters, commencing on page 11 of the Decision, directing comments and responses to be made on "the draft rate order", should read as a draft accounting order which is provided herewith. In addition, in its Decision, the Board referred to the "US GAAP Incremental Costs" account as a deferral account. However, as per Hydro One's evidence in this application, the Board's Accounting Procedures Handbook and the Board's decision in the EB-2011-0268 Hydro One Networks Transmission US GAAP proceeding, this account should be established as a variance account.

An electronic copy of this draft accounting order has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

c. EB-2011-0399 Intervenor (electronic only)

Hydro One Networks Inc. Distribution Accounting Order

A) Hydro One Networks Inc. Distribution (Hydro One Distribution) shall discontinue the following deferral account effective January 1, 2012:

Impact for Changes in IFRS Variance Account

Hydro One Distribution will discontinue the availability of the Impact for Changes in IFRS Variance Account. This account was approved in the EB-2009-0096 Hydro One Distribution proceeding to record the aggregate impact on revenue requirement resulting from any changes to existing IFRS standards or changes in the interpretation of such standards. With the adoption of US GAAP in place of MIFRS for 2012 and subsequent years, there is no longer a need for this account. As the account was never used, it had a \$nil balance at December 31, 2011. As such, Hydro One Distribution will not make any future request for disposition with respect to this account.

B) Hydro One Distribution shall establish the following variance accounts effective January 1, 2012:

1. US GAAP Incremental Transition Costs Variance Account

Hydro One Distribution will establish a US GAAP incremental transition costs variance account. The adoption of US GAAP may result in incremental additional costs being incurred on transition and these will be captured in sufficient detail for them to be reviewed for prudence and future disposition at the next cost of service application.

The account shall be established as Account 1508, Other Regulatory Assets, Sub-account 'US GAAP Incremental Transition Costs Variance Account'

Hydro One Distribution will record interest on any balance in the variance account using the interest rates set by the Board from time to time pursuant to its interest rate policy. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

2. Impact for US GAAP Variance Account

Hydro One Distribution will establish a symmetrical Impact for US GAAP Variance Account to reflect the aggregate revenue requirement impact of any differences between legacy Canadian GAAP and US GAAP, including impacts from new pronouncements coming into effect in 2012. These variances will be captured in sufficient detail for them to be reviewed for prudence and future disposition following Hydro One Distribution's next cost of service application.

Filed: March 28, 2012
EB-2011-0399
Draft Accounting Order

The account shall be established as Account 1508, Other Regulatory Assets, Sub-account 'Impact for US GAAP Variance Account'

Hydro One Distribution will record interest on any balance in the variance account using the interest rates set by the Board from time to time pursuant to the Board's interest rate policy. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.