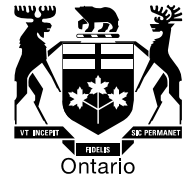


**Ontario Energy  
Board**  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie  
de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone; 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

March 28, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Interrogatories  
Toronto Hydro-Electric System Limited – Application for Accounting Order  
EB-2012-0079**

Please find the attached Board staff interrogatories in the above proceeding related to the application for an accounting order. Please forward the following to Toronto Hydro-Electric System Limited and all other parties to this proceeding.

Yours truly,

*Original signed by*

Martin Davies  
Project Advisor, Applications & Regulatory Audit

Attachment

**Board Staff Interrogatories**  
**Application for Accounting Order**  
**Toronto Hydro-Electric System Limited (“THESL”)**  
**EB-2012-0079**

**1) Ref: pp. 1-2.**

THESL states that the requested deferral account will record the accounting differences resulting from both the transition to and the implementation of US General Accepted Accounting Principles (“USGAAP”). THESL also states that there are specific areas of difference in accounting treatment between Canadian General Accepted Accounting (“CGAAP”) and USGAAP, including the treatment of other post-employment benefits (“OPEB”). However, it appears that THESL only explains the differences with respect to OPEB in the application.

Please confirm that the deferral account requested by THESL will be limited to recording the differences with respect to OPEB. Otherwise, please explain the nature and the quantum of the other items that are expected to cause the differences and that will be recorded in the requested deferral account.

**2) Ref: pp. 2-3.**

THESL cites the *Addendum to the Report of the Board – Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment* (“Addendum Report”) for the creation of a deferral account for IFRS related impacts on Pension & OPEB accounts occurring at the date of transition. Page 14 of the Addendum Report states that:

“The option remains for these utilities to seek an individual account if they can demonstrate the likelihood of a large cost impact upon transition to IFRS. “

Please explain how the large cost impact as was referenced in the Addendum Report applies to THESL upon the transition to and the implementation of USGAAP effective January 1 2012, given the OPEB difference to be recorded in the deferral account is stated as solely a difference on the balance sheet with no impact in profit and loss.

**3) Ref: p. 3.**

THESL references USGAAP section ASC 980-715-25-5 and states that ASC 980-715-25-5 specifically allows for the recognition of a regulatory asset for OPEB differences under THESL’s circumstances. THESL further states that the facts considered include the assumptions that (1) it is probable for the amount to be recovered in the future and (2) THESL’s post retirement benefits liability has been accounted for on an accrual basis.

- a) Please provide a copy of ASC 980-715-25-5.
- b) Please state whether or not THESL will recognize a regulatory asset for OPEB on its balance sheet if the deferral account requested is not approved by the Board.
- c) Please state how the Board's approval of the requested deferral account can help in recognizing a regulatory asset for OPEB on its balance sheet.

**4) Ref: p. 3.**

THESL states that:

"Under U.S. GAAP, recoveries of the amounts in this deferral account happen in the same manner as they do currently under CGAAP, as the amount in AOCI (reclassified to a regulatory asset) is amortized through profit and loss in the current service cost. Accordingly, the establishment of this deferral account will not impact rates for rate payers."

- a) Please explain in detail why the deferral account is needed by THESL given that it is stated that its establishment will not impact rates for ratepayers.
- b) Please state whether or not the deferral account requested is intended to be used as a tracking account to hold the differences with respect to OPEB's unamortized actuarial gains/losses and unamortized past service costs upon the transition to and implementation of USGAAP. If yes:
  - (i) please state whether or not the establishment of an internal tracking account, rather than a deferral account would be more appropriate to THESL's needs, and
  - (ii) if yes, please discuss why the Board should approve such an internal tracking account for THESL given that it is stated there will not be any rate impact on ratepayers.
- c) If an internal tracking account would not be appropriate, please explain why not.