Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank
Vice President and Chief Regulatory Officer
Regulatory Affairs

hydro One

BY COURIER

April 4, 2012

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

Dear Ms. Walli:

EB-2011-0427– Hydro One Remote Communities' 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 April 4, 2012, I am attaching Hydro One Remote Communities' (Remotes) draft accounting order for each of the new variance accounts established by that Decision and the variance account whose continuance was granted by the same Decision.

Please note that as directed in the Decision,

Remotes [will] remove the amounts recorded for the variance relating to incremental IFRS transition costs in the RRRP Variance Account and record the variance in the sub-account "IFRS Transition Costs Variance" in Account 1508, Other Regulatory Assets. Remotes [will] record all amounts related to incremental IFRS transition costs that it included in its 2009 revenue requirement and recovered from its rate payers, i.e., the actual amounts recovered in rates since 2009, as credits in that same sub-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

Hydro One Remote Communities Inc. Accounting Order

A) Hydro One Remote Communities Inc. (Remotes) shall continue the following variance account:

RRRP Variance Account

Under US GAAP, Remotes shall continue the use of the RRRP variance account.

B) Remotes shall establish the following variance accounts effective January 1, 2012:

1. IFRS Incremental Transition Costs Variance Account

Remotes will establish an IFRS incremental transition costs variance account.

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

As directed by the Board in its EB-2011-0427 Decision With Reasons dated April 3, 2012, pages 7 & 8, Remotes shall:

> *remove the amounts recorded for the variance relating to incremental IFRS transition costs in the RRRP Variance Account and record the variance in the sub-account "IFRS Transition Costs Variance" in Account 1508, Other Regulatory Assets. Remotes [will] record all amounts related to incremental IFRS transition costs that it included in its 2009 revenue requirement and recovered from its rate payers, i.e., the actual amounts recovered in rates since 2009, as credits in that same sub-account.*

Remotes 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

Remotes 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 prudency and future disposition following Remote's next cost of service application.

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

Remotes 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.