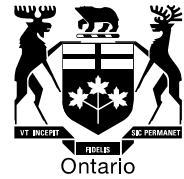


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BY E-MAIL

April 4, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Comments on draft Accounting Order
Hydro One Networks Inc. USGAAP Proposal for Distribution
Board File No. EB-2011-0399**

Hydro One Networks Inc. (Hydro One) submitted its draft Accounting Order for this proceeding on March 28, 2012. Board staff has the following comments on Hydro One's draft Accounting Order:

Establishment of the USGAAP Incremental Transition Costs Variance Account

Board staff submits that when Hydro One brings forward the USGAAP Incremental Transition Costs Variance Account for clearance in a future rate proceeding, Hydro One should provide in its pre-filed evidence a breakdown of the costs recorded in the account relating to USGAAP incremental transition costs and the costs relating to IFRS incremental transition costs and clearly indicate the amount that Hydro One will be seeking for clearance.

Establishment of the Impact for USGAAP Variance Account

In the draft Accounting Order, Hydro One stated:

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.

On page 11 of the Board's Decision, the Board stated:

The account will be limited to potential impacts on the 2012 revenue requirement, and not relate solely to balances incorporated into the audited financial statements.

In its draft Accounting Order, Hydro One was silent on limiting the amounts to be recorded in the account to the impacts on the 2012 revenue requirement. Board staff submits that the impacts to the revenue requirement relating to years prior to 2012 or beyond 2012 should not be recorded in this account and should only be limited to the 2012 revenue requirement.

Further, Hydro One has not submitted evidence that this account should include “impacts from new pronouncements coming into effect in 2012.” Board staff submits that Hydro One should not include the impacts from new pronouncements coming into effect in 2012 in this account, as this issue was not addressed in the proceeding nor in the Board’s decision. Board staff submits that if Hydro One discovers differences between CGAAP and USGAAP from new pronouncements or other matters, Hydro One should make a separate application and bring the issue to the Board to address those differences, if any.

Sincerely,

Original Signed By

Harold Thiessen
Case Manager – EB-2011-0399
Senior Project Advisor - Applications

cc. All parties EB-2011-0399