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BY E-MAIL

April 11, 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 Comments on draft Accounting Order
Hydro One Remote Communities Inc. USGAAP Proposal
Board File No. EB-2011-0427**

Hydro One Remote Communities Inc. (Remotes) submitted its draft Accounting Order for this proceeding on April 4, 2012. Board staff has the following comments on Remotes draft Accounting Order:

IFRS Incremental Transition Costs Variance Account

In addition to the direction provided by the Board in the Remotes EB-2011-0427 Decision, Board staff submits that Remotes should follow the Board's guidance articulated in the October 2009 Accounting Procedures Handbook Frequently Asked Questions #2 and #3 regarding the IFRS Incremental Transition Costs Variance Account.

Establishment of the Impact for USGAAP Variance Account

In the draft Accounting Order, Remotes stated:

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.

On page 7 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, Remotes 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, Remotes has not submitted evidence that this account should include “impacts from new pronouncements coming into effect in 2012.” Board staff submits that Remotes 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 Remotes discovers differences between CGAAP and USGAAP from new pronouncements or other matters, Remotes should make a separate application and bring the issue to the Board to address those differences, if any.

Yours truly,

Original signed by

Harold Thiessen
Case Manager – EB-2011-0427
Senior Project Advisor - Applications

cc. All parties, EB-2011-0427