



**EB-2011-0427**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Hydro One  
Remote Communities Inc. for an order or orders approving  
a distribution revenue requirement and rates and other  
charges for the distribution of electricity;

**AND IN THE MATTER OF** a request by Hydro One  
Remote Communities Inc. for approval for the use of the  
USGAAP accounting standard for rate setting, regulatory  
accounting and regulatory reporting, as of January 1,  
2012.

**BEFORE:** Paul Sommerville  
Presiding Member

Ken Quesnelle  
Member

### **ACCOUNTING ORDER**

Hydro One Remote Communities Inc. ("Remotes") is an integrated generation and distribution company licensed to generate and distribute electricity within 21 isolated communities in Northern Ontario.

On November 25, 2011, Remotes submitted an application to set 2012 distribution rates to the Ontario Energy Board ("the Board") for Remotes under the Board's 2012 IRM3 framework. The Board assigned EB-2011-0175 to this application. As part of the application, Remotes included a request to utilize United States Generally Accepted Accounting Principles (USGAAP) for regulatory purposes for Remotes, effective January 1, 2012.

On December 8, 2011 the Board issued a letter acknowledging receipt of this application. In that letter the Board stated: “The Board is of the view that the 2012 IRM3 rate application is not an appropriate forum in which to consider these issues...” and indicated that Remotes should “...not be precluded from requesting, in a stand-alone application, approval to use USGAAP for regulatory purposes and authorization for deferral and variance accounts associated with the use of USGAAP for regulatory purposes”.

On December 16, 2011, Remotes made a separate application for approval to utilize USGAAP for rate setting, regulatory accounting and regulatory reporting. This application followed the steps outlined by the Board in its EB-2011-0268 USGAAP Decision for Hydro One Networks’ 2012 Transmission revenue requirement. The Board assigned file number EB-2011-0427 to the application.

The Board issued its EB-2011-0427 Decision and Order on the application on April 3, 2012, approving the Remotes USGAAP request. In the Decision and Order, the Board ordered Remotes to file a draft Accounting Order reflecting the Board’s findings.

Remotes filed a draft Accounting Order on April 4, 2012. Board staff filed comments on the draft Accounting Order on April 11, 2012. Remotes did not file a reply to the Board staff comments. The Board has reviewed the draft accounting order submitted by Remotes and the comments submitted by Board staff.

The Board agrees with Board staff’s comments on the IFRS Incremental Transition Costs Variance Account, that Remotes should follow the Board’s guidance articulated in the October 2009 Accounting Procedures Handbook Frequently Asked Questions #2 and #3.

Regarding the Impact for USGAAP Variance Account, the Board notes that 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. The Board agrees with Board staff’s submission that the impacts to the revenue requirement relating to years prior to 2012 or beyond 2012 should not be recorded in this account and the amounts should relate only to the 2012 revenue requirement. This corresponds to the Board’s Decision and Order, that the account will be limited to potential impacts on the 2012 revenue requirement, and not relate to balances incorporated into the audited financial statements.

Further, the Board also agrees with the Board staff comment that Remotes did not submit evidence that this account should include “impacts from new pronouncements coming into effect in 2012.” This issue was not addressed in the proceeding, nor in the Board’s Decision and Order. The Board supports the staff assertion 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.

**THE BOARD ORDERS THAT:**

1. The Accounting Order set out in Appendix “A” of this Order is approved effective January 1, 2012.

**DATED** at Toronto, May 17, 2012

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

## **APPENDIX A**

### **TO ACCOUNTING ORDER**

Hydro One Remote Communities Inc.

EB-2011-0427

DATED: May 17, 2012

**Hydro One Remote Communities Inc. Accounting Order  
EB-2011-0427**

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

**RRRP Variance Account**

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

- B)** Remotes shall establish the following variance accounts:

**1. IFRS Incremental Transition Costs Variance Account**

Remotes shall 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'.

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 shall 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 shall 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.

Remotes shall 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 shall be calculated on the opening monthly balance of the account until the balance is fully disposed.

**2. Impact for USGAAP Variance Account**

Remotes shall establish a symmetrical Impact for USGAAP Variance Account to reflect the aggregate revenue requirement impact of any differences between legacy Canadian GAAP and USGAAP. The account shall be limited to potential impacts on the 2012 revenue requirement, and not relate solely to balances incorporated into the audited financial statements. These variances shall be captured in sufficient detail for them to be reviewed for prudence and future disposition following Remotes' next cost of service application.

If Remotes discovers differences between CGAAP and USGAAP from new pronouncements or other matters, Remotes shall make a separate application and bring the issue to the Board to address those differences, if any.

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

Remotes shall 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 shall be calculated on the opening monthly balance of the account until the balance is fully disposed.