



Ontario Energy Board
Commission de l'énergie de l'Ontario

MIFRS Webinar

Setting Rates on MIFRS – Review of MIFRS Filing Requirements for 2013 Cost of Service Applications

July 19, 2012

Regulatory Audit and Accounting
Ontario Energy Board

Disclaimer

- This presentation expresses the views of the OEB staff which are intended only for discussion purposes and does not represent the OEB's views and is not binding on the OEB.



Agenda

1. Introduction
2. 2013 Filing Requirements – MIFRS
 - Review of MIFRS Appendices
 - ✓ Part A - General Section: Fiona O'Connell
 - ✓ Part B - PP&E: Tina Li
 - ✓ Part C - Capitalization Policy and Practices: Fiona O'Connell
 - ✓ Part D – Depreciation/Amortization: Fiona O'Connell
 - ✓ Part E - Account 1575 PP&E deferral account: Tina Li
 - ✓ Part F - One-time incremental transitional costs: Tina Li



Agenda

2. 2013 Filing Requirements – MIFRS
 - ✓ Q&As on MIFRS
 - ✓ MIFRS Appendices Completed by Wayne Armstrong, Director of Finance, Welland Hydro-Electric System Corp.
3. Common Pitfalls from 2012 MIFRS Applications: Daria Babaie
4. Next steps
5. Questions



Purpose of the MIFRS Webinar

- This Webinar is related to modified International Financial Reporting Standards (“Modified IFRS” or “MIFRS”) with respect to MIFRS appendices in Chapter 2 of the Filing Requirements for Electricity Transmission and Distribution Applications (the “Filing Requirements”).



Purpose of the MIFRS Webinar

- Provide answers to your questions related to MIFRS sections of the Filing Requirements;
- Walk you through the updated Appendices related to MIFRS;
- Increase the quality of the 2013 Cost of Service (“CoS”) rate applications; and
- Help reduce number of interrogatories in the 2013 CoS application proceedings.



Scope of the MIFRS Webinar

- The MIFRS Webinar:
 - Is not intended as a training session on the Filing Requirements; rather it is planned to help answer your questions on MIFRS.
 - Is limited to answering questions related to MIFRS appendices of 2013 CoS rate applications.
 - Will not address any questions related to non-MIFRS sections of the Filing Requirements. All such inquiries must be forwarded to the Market Operations Hotline market.operations@ontarioenergyboard.ca or the assigned case manager for the CoS application.



Introduction

- June 28, 2012 :
 - The Board issued an update to Chapter 2 of Filing Requirements. The Filing Requirements included a number of new MIFRS appendices.
- July 9, 2012:
 - Board staff held an orientation session for 2013 CoS filers.
- July 12, 2012:
 - The Board issued updates to the Filing Requirements and Appendices.
- July 17, 2012:
 - The Board issued:
 - Accounting Policy Direction Regarding Changes to Depreciation Expense and Capitalization Policies in 2012 and 2013; and
 - Accounting Procedures Handbook (“APH”) Frequently Asked Questions (“FAQ”) – 2012 APH-FAQ.





Part A

General Section



Section 2.3.1 - Key References for Interpreting Filing Requirements for Modified IFRS

- Report of the Board: Transition to IFRS, July 2009 – policy
 - Key areas impacted
 - Electricity and gas distributors, implications for others
 - Regulatory accounting policies, application filing requirements, Reporting & Record-keeping Requirements
- Asset Depreciation Study for the Ontario Energy Board – Kinectrics July 8, 2010
- Addendum to Report of the Board: Implementing IFRS in an IRM Environment June 13, 2011
- April 30, 2012 Direction of the OEB
- July 17, 2012 Direction of the OEB



April 30, 2012 Direction of the OEB on Application Filing for the 2013 Rate Year

- All 2013 cost of service applications must be filed on the basis of MIFRS, for rate-regulated utilities that have adopted IFRS or are required to adopt IFRS by January 1, 2013.
- Exception for those seeking the Board's approval to adopt an alternate accounting standard such as US GAAP or Accounting Standards for Private Enterprise ("ASPE").



MIFRS General – Question A1

- What basis of accounting, i.e., CGAAP or MIFRS, do I need to file in my rate application?



MIFRS General – Answer A1

Format of Required Information Filing

Section 2.3.4 - MIFRS Application Filing for the 2013 Rate Year

The Year Applicant Adopts IFRS for Financial Reporting	Historical Year (2011)	Bridge year (2012)	Test Year (2013)
2012	CGAAP MIFRS	MIFRS	MIFRS
2013	CGAAP	CGAAP MIFRS	MIFRS



Section 2.3.4 - MIFRS Application Filing for the 2013 Rate Year

- Provide a summary of changes to its accounting policies made since the last cost of service filing (e.g. capitalization of overhead, capitalization of interest, depreciation, etc.)
 - Revenue requirement impacts of any change in capitalization policy must be specifically and separately quantified.



Section 2.3.4 - MIFRS Application Filing for the 2013 Rate Year

- Provide a summary of the dollar impacts of MIFRS to each component of the revenue requirement (e.g. rate base, operating costs, etc), including the overall impact on the proposed revenue requirement.
 - Identify financial differences and resulting revenue requirement impacts arising from the adoption of MIFRS accounting.



Part B

PP&E



PP&E – Question B1

- Regarding the continuity of historic cost for PP&E, for financial reporting purposes my utility is to set accumulated depreciation to zero at the date of transition to IFRS. What should I do for regulatory purposes?



PP&E – Answer B1(a) - Section 2.5 – Rate Base: Gross Assets – Property, Plant, and Equipment (PP&E) and Accumulated Depreciation

The Applicant Adopts IFRS in **2012** for Financial Reporting Appendix 2-B

Property, Plant and Equipment	<ul style="list-style-type: none"> • Establish the continuity of historic cost by using the December 31, 2010 regulatory gross assets of property, plant and equipment as the opening January 1, 2011 regulatory gross assets. <ul style="list-style-type: none"> – December 31, 2010 regulatory gross PPE by asset class. – January 1, 2011 regulatory gross PPE by asset class.
Accumulated Depreciation	<ul style="list-style-type: none"> • Establish the continuity of historic cost by using the December 31, 2010 regulatory accumulated depreciation as the opening January 1, 2011 accumulated depreciation. <ul style="list-style-type: none"> – December 31, 2010 regulatory accumulated depreciation by asset class. – January 1, 2011 regulatory accumulated depreciation by asset class.



PP&E – Answer B1(b) - Section 2.5 – Rate Base: Gross Assets – Property, Plant, and Equipment (PP&E) and Accumulated Depreciation

The Applicant Adopts IFRS in **2013** for Financial Reporting Appendix 2-B

Property, Plant and Equipment	<ul style="list-style-type: none">• Establish the continuity of historic cost by using the December 31, 2011 regulatory gross assets of property, plant and equipment as the opening January 1, 2012 regulatory gross assets.<ul style="list-style-type: none">– December 31, 2011 regulatory gross PPE by asset class.– January 1, 2012 regulatory gross PPE by asset class.
Accumulated Depreciation	<ul style="list-style-type: none">• Establish the continuity of historic cost by using the December 31, 2011 regulatory accumulated depreciation as the opening January 1, 2012 accumulated depreciation.<ul style="list-style-type: none">– December 31, 2011 regulatory accumulated depreciation by asset class.– January 1, 2012 regulatory accumulated depreciation by asset class.



PP&E – Question B2

- Please clarify the treatment of PP&E retirement gains and losses.



PP&E – Answer B2

- Please refer to the July 17, 2012 Accounting Procedures Handbook FAQ which states that the revised APH includes two new accounts to specifically address the treatment of PP&E retirement gains and losses in the income statement (or statement of comprehensive income):
 - Account 4357, Gain from Retirement of Utility and Other Property; and
 - Account 4362, Loss from Retirement of Utility and Other Property.
- In the past, the treatment of such retirement gains or losses would have been to include them as part of accumulated amortization in Account 2105.



PP&E – Answer B2

- Assuming the utility adopted IFRS in 2012 for financial reporting purposes, should use the following accounts for the income statement:
 - Account 4357, Gain from Retirement of Utility and Other Property; and
 - Account 4362, Loss from Retirement of Utility and Other Property.
- May use the information recorded in Account 4357 and Account 4362 to make an estimate for PP&E retirement gains and losses for the test year revenue requirement.



PP&E – Answer B2

- Assuming the utility will adopt IFRS in 2013 for financial reporting purposes, you cannot use the two accounts in 2012 under CGAAP because the accounting treatment requires the use of Account 2105.
- In absence of these two accounts (Account 4357 and Account 4362), the distributor should make an estimate for PP&E retirement gains and losses for the test year revenue requirement.



PP&E – Question B3

- Can I request a deferral or variance account for the PP&E retirement gains or losses?



PP&E – Answer B3

- Page 23 of the Addendum Report, the Board stated that:

*At the first cost of service application after the transition, a utility will be expected to provide a forecast of asset useful lives, and gains and losses from retirements, as part of its application. This forecast will be reviewed by the Board and the likelihood of large variances from the forecast can be assessed. Utilities can apply to the Board for **a utility-specific variance account** if they can demonstrate the probability of significant ongoing volatility.*



PP&E – Answer B3

- Hydro Ottawa requested a deferral account to record the gains/losses on disposal of pooled assets but was denied by the Board in its 2012 CoS rate application EB-2011-0054. The Decision stated:
 - *The Addendum to the Board Report on IFRS considered the matter of a variance account for gains and losses arising from early retirement of in-service assets to mitigate volatility of the expense that may arise from the application of IFRS rules. The Addendum did not consider a deferral account. Utilities need to provide a forecast and demonstrate probability of volatility in order for the Board to consider the matter of a variance account.*
 - *The Board does not consider the applicant's inability to provide a forecast to be, in and of itself, sufficient grounds to justify the account.*



Section 2.5 – Rate Base: Gross Assets – Property, Plant, and Equipment (PP&E)

Appendix 2-B: Fixed Asset Continuity Schedule

Key Note:

- Continuity statements should be reconcilable to the calculated depreciation expenses (Appendix 2-C) and presented by asset account.





Part C

Capitalization Policy and Practices



Section 2.5.2: Capital Expenditures – Capitalization Policy

- File capitalization policy, including changes to that policy since the last rebasing application
- Explain the reasons for the changes and whether they are as a result of adhering to the IFRS capitalization accounting requirements (e.g. capitalization of indirect costs, etc.)
- If adopting IFRS by January 1, 2013: Must adhere to IFRS capitalization accounting requirements for rate making and regulatory reporting purposes after the date of adoption of IFRS.



Accounting Policy Changes

- The Board's letter of July 17, 2012 to distributors also indicated that the Board has approved new Account 1576, Accounting Changes Under CGAAP, for distributors to record the financial differences arising as a result of the election to make accounting changes under Canadian GAAP in 2012 or to make these accounting changes in 2013 as mandated by the Board (see Q and A #1 of APH-FAQs). The account description for Account 1576 is provided in Appendix A of the APH-FAQs.



Accounting Policy Changes

- The accounting treatment for Account 1576 is illustrated through an example that cites a scenario showing the accounting changes for depreciation and capitalization in 2012 (based on assumptions), the calculation of the financial differences (or variances) and the accounting journal entries to record the variances. The illustrative example is provided in Appendix B of the 2012 APH-FAQs.



Capitalization Policy Changes – Question C1

- My utility will adopt IFRS for financial reporting purposes in 2013. We will not make changes to our capitalization policy in our financial systems under CGAAP in 2012. Which account should the utility use: Account 1576 or Account 1575?



Capitalization Policy Changes – Answer C1

- The distributor should only use Account 1575
- Article 510 of the revised 2012 APH provides the related accounting guidance regarding the required transitional adjustments
- The transitional adjustments in Account 1575 for 2012 are reflected on January 1, 2013 (i.e. the IFRS “changeover date”)



Capitalization Policy Changes – Question C2

- My utility will adopt IFRS for financial reporting purposes in 2013. We have made changes to our capitalization policy in our financial systems under CGAAP in 2012. Which account should the utility use: Account 1576 versus Account 1575?



Capitalization Policy Changes – Answer C2

- The distributor should use both Account 1575 and Account 1576 but for distinctly different purposes.
- The changes to capitalization policies under CGAAP in 2012 should be recorded in Account 1576 (Jan. 1 to Dec. 31, 2012)
- All other transitional accounting adjustments for IFRS outlined in Article 510 of the revised 2012 APH should be recorded in Account 1575 (e.g. 2012 changes should be recorded Jan. 1, 2013 for customer contributions, AROs, interest capitalization, etc.)



Section 2.5.2: Capital Expenditures – Capitalization of Overhead

- Identify the burden rates related to the capitalization of costs of self-constructed assets.
- If the burden rates were changed, identify the burden rates:
 - Prior to the change
 - After the change



Section 2.7.2: Operating Costs – Summary and Cost Driver Tables

- Identify the overall level of increase (*or decrease*) in OM&A expense in the test year in relation to a decrease (*or increase*) in capitalized overhead.
- Provide a variance analysis for the change in OM&A expense for the test year in respect to each of the bridge year and historical years.



Capitalization of Overhead Costs – Question C3

- I have looked at Appendix 2-D, Capitalization of Overhead costs, with respect to the two tables (table 1 is for capitalization of overhead costs under IFRS and table 2 is for previous capitalization overhead costs under CGAAP).
- Does my utility need to particularly show the dollar impacts in table 1 of Appendix 2-D if the overhead cost categories for employees, vehicles, etc are the same as those of CGAAP and if they are not using any new overhead costs for capitalization under IFRS? Also if my utility is not capitalizing some of the previous overhead costs under MIFRS as was used under CGAAP?



Capitalization of Overhead Costs – Answer C3

- Your utility needs to complete Appendix 2-D and fully complete table 2 of Appendix 2-D (the overhead costs that are not capitalized anymore).
- Your utility does not need to show the dollar impacts in table 1 for capitalization of overhead costs, but you need to list them and explain what they are and indicate that there is no change.



Section 2.7.2: Operating Costs – Summary and Cost Driver Tables

Appendix 2-D: Overhead Expense





Part D

Depreciation/ Amortization/ Depletion



Section 2.7.7: Depreciation/Amortization/Depletion

- Use the Board sponsored Kinectrics study or provide your own study to justify changes in useful lives.
- Provide a list detailing all asset service lives.
 - Detail differences of asset service lives from the Typical Useful Lives (TUL) from the Kinectrics Report
 - A detailed explanation for using a service life that is different from the TUL in the Kinectrics Report.
- Perform a recalculation to determine the average remaining life of the opening balance of assets on the transition date to IFRS (i.e. excluding the transition year capital additions).



Depreciation/Amortization/Depletion – Question D1

- Is it OK to have a fractional average remaining service life on the opening NBV of an asset on the MIFRS depreciation schedules, instead of round numbers?
 - For example, some poles are newer and have say 17 remaining years of life and some are older and have say 5 remaining years of life.



Depreciation/Amortization/Depletion – Answer D1

- It is OK to have a fractional average remaining service life on opening NBV instead of round numbers:
 - Distributors will remain responsible for review and updates of the service lives for their particular assets for financial reporting and regulatory requirements.
 - Your utility's external auditor has reviewed the average remaining service life.
 - Should be reasonable.



Depreciation/Amortization/Depletion – Question D2

- My utility has not prepared its own depreciation study. In the absence of a study, should I use the typical useful life per the Kinectrics Report?



Depreciation/Amortization/Depletion – Answer D2

- As per July 8, 2010 Letter from the Board:
 - The Board Report said the following concerning the usefulness of a generic depreciation study for distributors and concerning how it would be used.
 - *While utilities remain solely responsible for complying with financial reporting requirements, the Board notes that a generic depreciation study could assist utilities with IFRS compliance in addition to providing considerable regulatory benefits. The study should provide a good starting point for the determination of service lives for distribution assets that may be both acceptable to the Board and useful for financial reporting purposes. Distributors will remain responsible for review and updates of the service lives for their particular assets for financial reporting and regulatory requirements.*
 - So as not to depend on a rate-ruling from the regulator to define the service life (rate rulings have no status under IFRS standards as currently written), distributors are to have identified asset service lives that meet the International Accounting Standards Board (IASB) requirements.



Depreciation/Amortization/Depletion – Answer D2

- As per June 28, 2012 Chapter 2 Filing Requirements:
 - The applicant must use the Board sponsored Kinectrics study or provide its own study to justify changes in useful lives.
 - The applicant must detail differences of its asset service lives from the Typical Useful Lives (TUL) from the Kinectrics Report and provide a detailed explanation for using a service life that is different from the TUL in the Kinectrics Report.



Depreciation Expense Policy Changes - Question D3

- My utility is adopting IFRS for financial reporting purposes on January 1, 2013. Which depreciation schedules should I complete from the Chapter 2 Appendices?



Depreciation Expense Policy Changes – Answer D3

- As they you be adopting IFRS in 2013 for financial reporting purposes, your utility will need to complete App 2-CE to 2-CH for the depreciation schedules.



Depreciation Expense Policy Changes – Question D4

- My utility will adopt IFRS for financial reporting purposes in 2013. We will not make changes to our depreciation policy in our financial systems under CGAAP in 2012. Which account should the utility use: Account 1576 or Account 1575?



Depreciation Expense Policy Changes – Answer D4

- The distributor should only use Account 1575
- Article 510 of the revised 2012 APH provides the related accounting guidance regarding the required transitional adjustments
- The transitional adjustments in Account 1575 for 2012 are reflected on January 1, 2013 (i.e. the IFRS “changeover date”)



Depreciation Expense Policy Changes – Question D5

- My utility will adopt IFRS for financial reporting purposes in 2013. We have made changes to our depreciation policy in our financial systems under CGAAP in 2012. Which account should the utility use: Account 1576 versus Account 1575?



Depreciation Expense Policy Changes – Answer D5

- The distributor should use both Account 1575 and Account 1576 but for distinctly different purposes.
- The changes to depreciation policies under CGAAP in 2012 should be recorded in Account 1576 (Jan. 1 to Dec. 31, 2012)
- All other transitional accounting adjustments for IFRS outlined in Article 510 of the revised 2012 APH should be recorded in Account 1575 (e.g. 2012 changes should be recorded Jan. 1, 2013 for customer contributions, AROs, interest capitalization, etc.)



Depreciation Expense Policy Changes – Question D6

- The CGAAP depreciation schedule I completed for 2011 (Appendix 2-CA or 2-CE) does not tie to the depreciation expense reported on my utility's 2011 audited financial statements. What should I do?



Depreciation Expense Policy Changes – Answer D6

- If reporting a difference between the calculated depreciation on Appendix 2-CA or 2-CE and the depreciation expense reported on the 2011 audited financial statements, an explanation of the difference should be provided.



Section 2.7.7: Depreciation/Amortization/Depletion

IFRS for financing reporting in 2012

Appendices 2-CA to 2-CD: Depreciation and Amortization Expense



Section 2.7.7: Depreciation/Amortization/Depletion

IFRS for financing reporting in 2013

Appendices 2-CE to 2-CH: Depreciation and Amortization Expense





Part E

Account 1575 – IFRS- CGAAP Transitional PP&E Amounts



Section 2.12.4 Account 1575 – IFRS-CGAAP Transitional PP&E Amounts

- The IFRS-CGAAP Transitional PP&E Amount is to be cleared in rates as follows:
 - an adjustment to the test year depreciation expense as part of distribution expenses for the amortization of Account 1575
 - an adjustment to the test year revenue requirement as part of the return on rate base component.
 - The applicant must not record the return on rate base component in Account 1575 for accounting purposes.



Section 2.12.4 Account 1575 – IFRS- CGAAP Transitional PP&E Amounts

- Consistent with the 4 year normal rate cycle, Appendices 2-EA and 2-EB are using a 4 year amortization period as a default disposition period to "clear" the PP&E deferral account
- No carrying charges will be applied to the balance in the PP&E account.



Section 2.12.4 Account 1575 – IFRS- CGAAP Transitional PP&E Amounts

- Propose a disposition period to “clear” the PP&E deferral account through a one-time adjustment to rate base to capture and remove the impact of the accounting policy changes as caused by the transition from CGAAP to MIFRS.
 - The Board will determine the period of time for amortization on a case-by-case basis.
 - The Board will be guided primarily by such considerations as the impact on rates, implications of any other IFRS transition matters, any requirements for rate mitigation including the impact on the distributor’s customers and its cash flow position, and other matters such as intergenerational equity.



Section 2.12.4 Account 1575 – IFRS-CGAAP Transitional PP&E Amounts

Key Notes:

- The Fixed Asset Continuity Schedule (Appendix 2-B) in the rate application must not be adjusted for balances related to the IFRS-CGAAP Transitional PP&E Amount.
- Provide a breakdown of the balance related to the IFRS-CGAAP Transitional PP&E Amount that is effective on the transition date to MIFRS.
- Provide the supporting analysis of the amounts in this account by completing Appendix 2-EA or 2-EB to the Filing Requirements.
 - The drivers of the change in closing net PP&E (CGAAP versus MIFRS) must be identified and quantified.



PP&E Deferral Account Schedule - Question E1

- My utility is adopting IFRS for financial reporting purposes on January 1, 2013. Which PP&E Deferral account schedule should I complete from the Chapter 2 Appendices?



PP&E Deferral Account Schedule - Answer E1

- As the utility will be adopting IFRS in 2013 for financial reporting purposes, your utility will need to complete App 2-EB for the PP&E deferral account.



PP&E Deferral Account Schedule – Question E2

- Which accounts from the Uniform System of Accounts (USoA) should my utility use to account for the impact of the PP&E deferral account, i.e. the amounts approved in rates ?



PP&E Deferral Account Schedule – Answer E2

- Please refer to the July 17, 2012 APH-FAQs which state which USoA accounts to use to account for the impact of the PP&E deferral account, i.e. the amounts approved in rates.



PP&E Deferral Account Schedule – Question E3

- On clearance of the PP&E deferral account balance, does the WACC used in the mechanics refer to the regulated rate of return or the weighted debt rate?



PP&E Deferral Account Schedule – Answer E3

- Upon the clearance of PP&E deferral account balance in rates, the WACC applied comprises the weighted average regulated return on equity and debt rates.
- The WACC applied to the account balance is the same WACC that is applied to the rate base.



PP&E Deferral Account Schedule – Question E4

- What is the accounting treatment of the difference calculated in Appendix 2-EA or Appendix 2-EB ?



PP&E Deferral Account Schedule – Answer E4

- The difference should be recorded in Account 1575 IFRS-CGAAP Transitional PP&E Amounts.
- Please refer to APH Article 510 Transitional Issues Relating to the Adoption of IFRS for journal entries and mechanics of the Account 1575.



PP&E Deferral Account Schedule – Question E5

- Please provide the assumptions and rationale of what cell F44 (Return on Rate Base Associated with deferred PP&E balance at WACC) on Appendix 2-EB is calculating.



PP&E Deferral Account Schedule – Answer E5

- Please refer to Page 8 of the Staff Discussion Paper, Transition to IFRS – Implementation in an IRM Environment, for the rationale of establishing a PP&E deferral account, specifically:

By including the amount of the amortization of the adjusting amount in depreciation expense, the utility recovers the original capital cost of the assets over time. By including the amount of the unamortized balance in rate base, the utility receives a return on the unamortized balance.



Section 2.12.4 Account 1575 – IFRS- CGAAP Transitional PP&E Amounts

**IFRS for financing reporting in
2012**

**Appendix 2-EA: IFRS-CGAAP
Transitional PP&E Amounts**



Section 2.12.4 Account 1575 – IFRS- CGAAP Transitional PP&E Amounts

**IFRS for financing reporting in
2013**

**Appendix 2-EB: IFRS-CGAAP
Transitional PP&E Amounts**





Part F

One-Time Incremental IFRS Transition Costs



Section 2.12.3 One-Time Incremental IFRS Costs

- Provide a breakdown of the costs recorded in Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition Costs or Account 1508 Other Regulatory Assets, Sub-account IFRS Transition Costs Variance.



One-Time Incremental IFRS Transition Costs – Question F1

- My utility has not yet implemented IFRS and has not incurred any One-Time Incremental IFRS Transition Costs.
- My utility is expected to incur some transition costs in the future.
- How should I treat these future costs in the 2013 CoS proceeding?



One-Time Incremental IFRS Transition Costs – Answer F1

- You should record actual one-time incremental IFRS transition costs as they will be incurred in the applicable sub-account of Account 1508.
- The Board's general practice is to clear actual audited deferral and variance account balances.
- The balances that will be incurred in the future may be presented to the Board for clearance in a future CoS proceeding.



Section 2.12.3 One-Time Incremental IFRS Transition Costs

Appendix 2-U: One-Time Incremental IFRS Transition Costs





Part G

Common Pitfalls from 2012 MIFRS Applications



Common Pitfalls from 2012 MIFRS Applications

- Some CGAAP or MIFRS schedules for depreciation and PP&E were missing.
- It was not clear whether the schedules were MIFRS schedules or CGAAP schedules.
- Some applicants provided schedules for depreciation and PP&E that were not labelled properly
- The closing of one year in the PP&E schedule was not equal to the opening balance in the next year.
- It was not clear if average remaining service life of the asset was used for calculation of the depreciation on date of transition to IFRS.



Common Pitfalls from 2012 MIFRS Applications

- Some applicants did not provide the transition year in both CGAAP and MIFRS, but rather went straight from CGAAP in 2011 to MIFRS in 2012 in the continuity schedules.
 - The rate base and the revenue requirement were adversely impacted.



Common Pitfalls from 2012 MIFRS Applications

- Some applicants did not file a copy of their capitalization policies in the pre-filed evidence.
- Some applicants stated that they did not have a capitalization policy when Board staff asked an interrogatory.



Common Pitfalls from 2012 MIFRS Applications

- Multiple updates of MIFRS evidence occurred in some cases.
- The MIFRS evidence also changed from one filing to another without an explanation by some applicants.
- In some cases, there was insufficient or incomplete information filed to describe the net impact on the revenue requirement under MIFRS.



Common Pitfalls from 2012 MIFRS Applications – Deferral and Variance Accounts

- Some applicants used different figures throughout its evidence related to the deferral and variance account balances.
- Some applicants did not request a consistent disposition period for the deferral and variance accounts.
 - For example, one account had a disposition period of three years, whereas other accounts had a disposition period of two years.



Next Steps

- Presentation material will be posted on the OEB's website. Notification will be provided to the webinar's participants.
- Forward inquiries to the Market Operations Hotline market.operations@ontarioenergyboard.ca or the assigned case manager for the cost of service application.



