



By E-mail

October 30, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
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Dear Ms Walli,

Regulatory Accounting Transition to International Financial Reporting Standards (“IFRS”) – Project Work Plan dated October 7, 2008

Board File No.: EB-2008-0104

Our File No.: 339583-000003

We are writing this letter on behalf of our client, Canadian Manufacturers & Exporters (“CME”). The letter pertains to a document prepared by Board Staff dated October 7, 2008, entitled “Regulatory Accounting Transition to International Financial Reporting Standards (“IFRS”) – Project Work Plan” (the “Draft Plan”).

Yesterday, counsel for the School Energy Coalition (“SEC”) provided us with a copy of his client’s submissions pertaining to the Draft Plan. In these submissions, the SEC expresses concerns about the potential rate-making implications of the transition by the Accounting Standards Board of Canada to IFRS. In its submissions, SEC questions whether these rate-making implications need to be considered and determined, either as a preliminary to, or, at the very least, concurrently with the consideration of the Accounting Rules and Uniform System of Accounts changes that will be needed to make them compatible with the IFRS Accounting Rules.

Representatives of CME’s Energy Committee have reviewed SEC’s submissions and, as a result, have asked us to advise the Board of CME’s support for the concerns raised by SEC in its submissions.

Our client acknowledges that the Board’s Accounting Rules and Uniform System of Accounts will need to be modified to reflect IFRS Rules. However, it questions whether all of the modifications that should be made to these regulatory Accounting Rules can be completed without the Board first determining how its methods for determining “just and reasonable rates” and in particular, the return component thereof, will be adjusted in the context of IFRS.

We suggest that before regulatory Accounting Rule changes can be finalized with respect to a number of topics, including depreciation, capitalization of overheads, the continued appropriateness of deferral and variance accounts, and the measurement of return on investment, those considering the nature of the regulatory Accounting Rule changes, that should be made, should have some idea of the overall impact that the new Accounting Rules are likely to have on the rates the utilities will be permitted to charge their ratepayers.

In the context of these concerns, CME questions whether the rather narrow consultative process which Board Staff is currently conducting is optimal. As the Board is aware, a number of experienced ratepayer representatives, including CME, are unable to participate in proceedings before the Board without first being accorded cost award eligibility for their participation.

For these reasons, CME urges the Board to modify the ambit of the process in the manner suggested by SEC in its submissions.

Please contact me if the Board has any questions about the contents of this letter.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Peter C.P. Thompson', with a long horizontal flourish extending to the right.

Peter C.P. Thompson, Q.C.

PCT\slc

c. Paul Clipsham (CME)

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