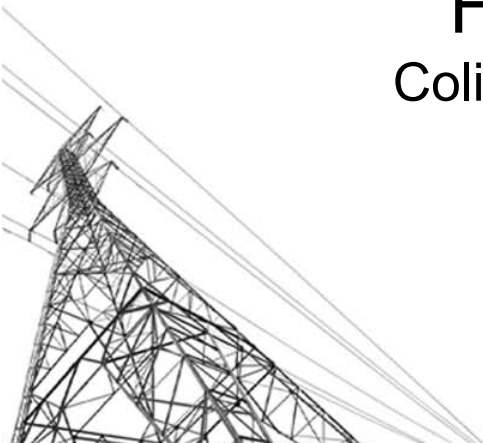


# Ontario Energy Board IFRS Consultations Presentation

Hydro One – August 22<sup>nd</sup> 2008  
Colin Fraser – Manager Financial Reporting and  
Accounting Policy

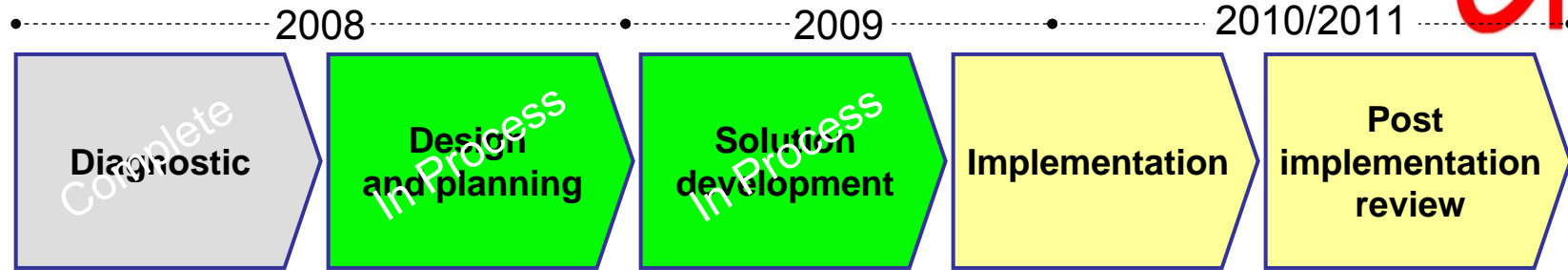


# Agenda

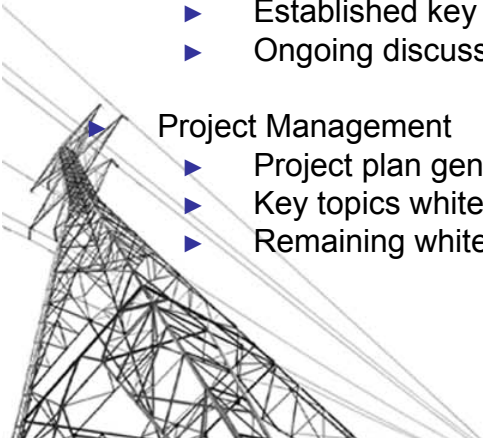
- Key Conversion Activities
- Hydro One Conversion Timeline
- Significant Accounting Differences Identified
- Matters For Discussion
- Training
- Future Implications



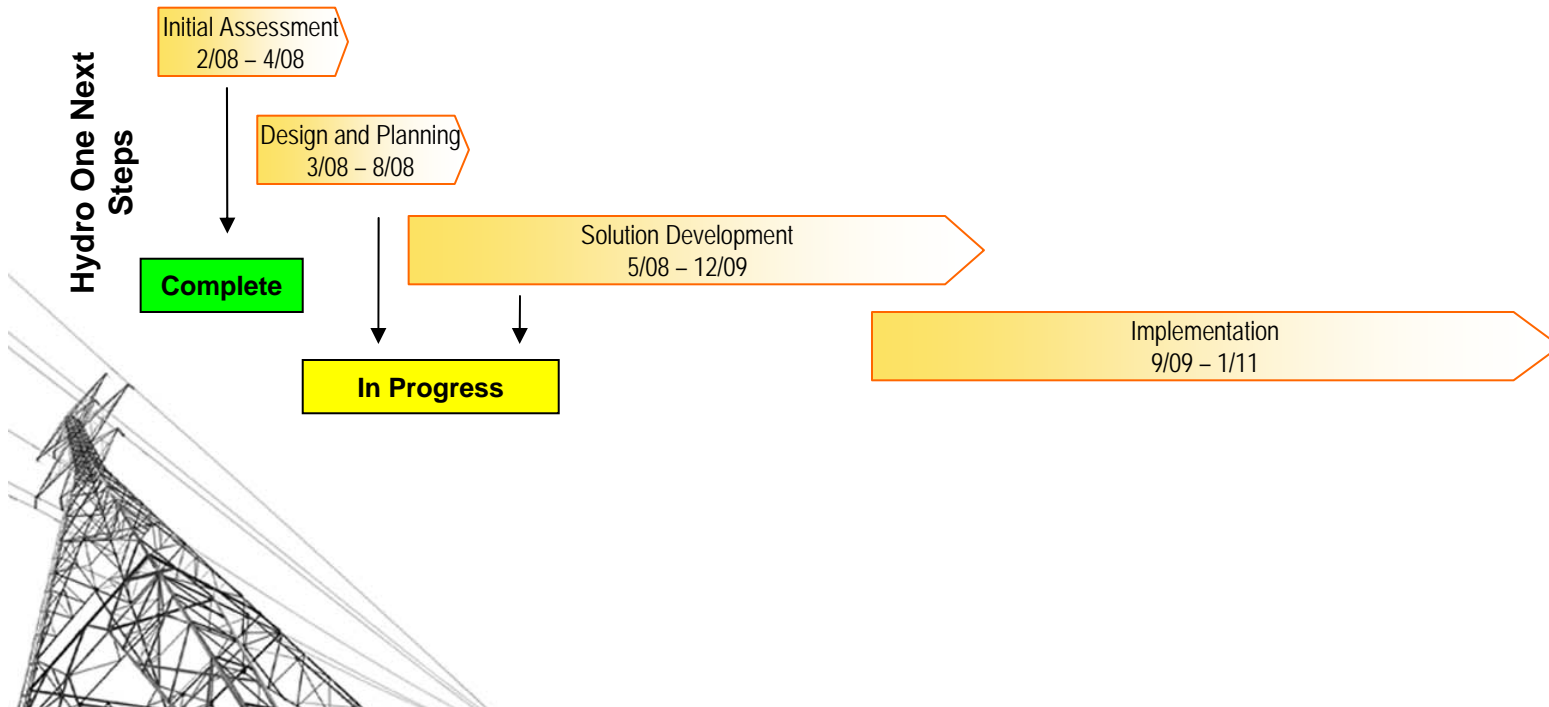
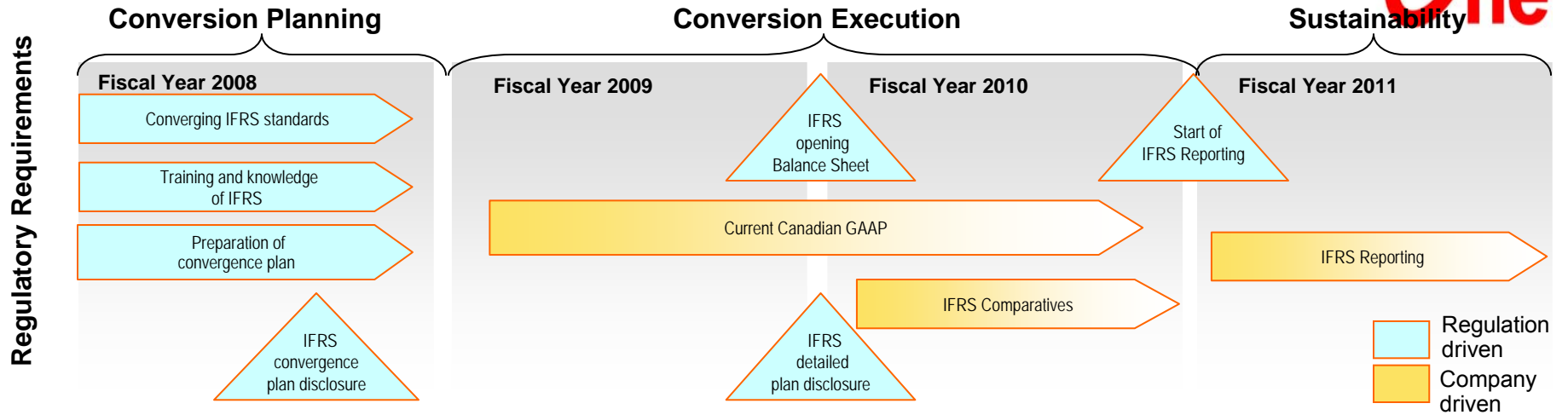
# Key Conversion Activities



- ▶ Initial Assessment
  - ▶ Project governance structure established.
  - ▶ Diagnostic report published documenting/prioritizing key impact areas (financial reporting, business issues, IT, etc.)
- ▶ Design and Planning
  - ▶ Identified key IFRS project dates and finalized overall timetable.
  - ▶ Rolled-out plans to the subsidiaries.
- ▶ Solution Development (White papers)
  - ▶ Whitepapers for high system impact (PP&E, Regulatory Assets and Liabilities and Disclosures) have been documented.
  - ▶ Key decisions made impacting system design - General ledger infrastructure (bottom-up, IFRS leading).
  - ▶ Established key milestones.
  - ▶ Ongoing discussion with external auditors on high impact areas.
- ▶ Project Management
  - ▶ Project plan generally on track.
  - ▶ Key topics white papers prioritized to meet system design requirements.
  - ▶ Remaining white papers will be completed in Q4 2008.

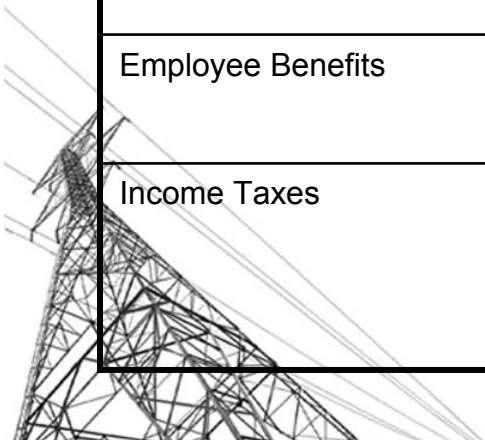


# Hydro One Conversion Timeline



# Significant Accounting Differences Identified

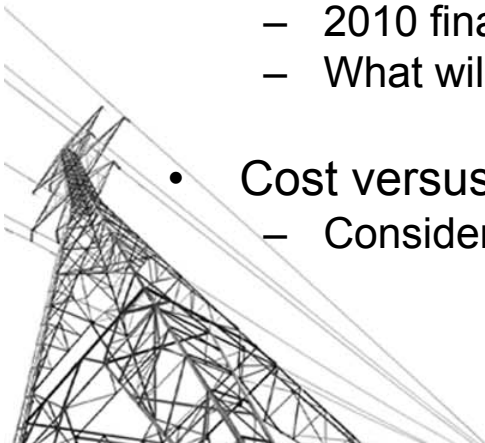
Topic:	Standard:	Impact:
First Time Adoption	IFRS 1	<ul style="list-style-type: none"> <li>• Comparative statements with retrospective restatement of 2010 opening balances.</li> </ul>
Regulatory Accounting	No IFRS	<ul style="list-style-type: none"> <li>• Maintaining current regulatory model could require two sets of books – one IFRS, one regulatory.</li> <li>• Possible derecognition of regulatory assets/liabilities and related variance and deferral accounts.</li> </ul>
Property, Plant, & Equipment	IAS 16	<ul style="list-style-type: none"> <li>• Componentization.</li> <li>• No capitalization of indirect costs.</li> <li>• Possible impairment of long term assets.</li> <li>• Contributed capital accounting.</li> <li>• Borrowing costs.</li> </ul>
Employee Benefits	IAS 19	<ul style="list-style-type: none"> <li>• Cash basis to accrual accounting.</li> </ul>
Income Taxes	IAS 12	<ul style="list-style-type: none"> <li>• Cash basis to accrual accounting, and recognition of future income taxes.</li> </ul>



# Matters For Discussion



- Retrospective restatement of PPE.
  - Successful first-step at May 22, 2008 meeting of the International Accounting Standards Board (IASB) for transition.
  - Could mean different PPE values for IFRS and regulatory.
  - What about go-forward regulatory treatments (revenue requirement, asset base used for rates, etc.?)
- Regulatory assets and liabilities.
  - To be considered in Sept 2008 by the International Financial Reporting Interpretations Committee (IFRIC).
  - Need to determine assurance level for recognition.
  - What happens if not addressed?
- No impact in 2009 and 2010, but transition requires comparative restatement in 2010.
  - 2010 financial statements will be restated, but related rates will not.
  - What will be the basis for determination of 2011 rates?
- Cost versus performance-based regulation.
  - Consider which will be more appropriate considering change to IFRS standards.

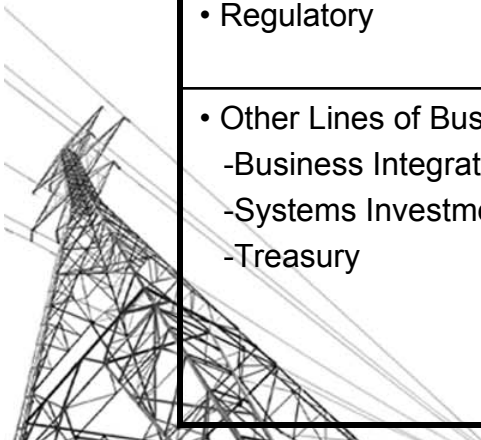


# Training



- Types of training
  - Presentation based training:
    - Provides an introduction to IFRS and an overview of the high impact areas
  - Classroom based:
    - Provides technical understanding of the relevant IFRS standards for Hydro One utilizing case studies and Hydro specific examples
  - Lunch & learns and Web based learning:
    - Provides in-depth technical training on IFRS specific topics
  
- Training plans being developed for:

Participants	Type of Training (In combination)	Planned Dates
• Board and Audit & Finance Committee	• Presentation based	• Nov '08 & May '09
• Executive Committee • IFRS Project Executives	• Presentation based • Web based learning	• Nov '08 • Anytime online
• Finance Team (Reporting) • Tax • Subsidiaries • Regulatory	• Classroom based • Lunch & learn sessions • Web based training	• Sep – Nov '08 • 1 <sup>st</sup> & 2 <sup>nd</sup> Qtr '09 • Anytime online
• Other Lines of Business: -Business Integration -Systems Investment -Treasury	• Particular focus on OMA vs. capital • Policy and process change review specific to line of business • Classroom based • Lunch & learn sessions • Web based training	• Sep – Nov '08 • Anytime online



# Future Implications



- Possibility of dual accounting records (IFRS and regulatory).
  - Incorporation into business plans, rate filings, etc.?
- Use of variance/deferral accounts
  - Need for these will be determined by how similar regulatory accounting is to IFRS after transition.
- Auditing of dual accounting records is an issue – can we reconcile?
- Uniform System of Accounts and Accounting Procedures Handbook
  - Revision of both necessary as they were established with reference to Canadian GAAP.
- More complex financial statements, as explanations may be needed for stakeholders.
- Potentially Non-GAAP measures needed to explain financial results.

