

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

December 23, 2008

**To: All Licensed Electricity Distributors
All Rate-regulated Gas Distributors
All Licensed Electricity Transmitters
Ontario Power Generation Inc.
All Other Interested Stakeholders**

**Re: Consultation on Transition to International Financial Reporting Standards
and Consequent Amendments to Regulatory Instruments
Board File No.: EB-2008-0408**

Purpose and Scope of Consultation

The Board is initiating a consultation process to examine issues associated with the transition to International Financial Reporting Standards ("IFRS"). As required by the Canadian Accounting Standards Board, Canadian Generally Accepted Accounting Principles for publicly accountable enterprises will transition to IFRS, effective January 1, 2011. As Canadian accounting standards are currently written, it is expected that most utilities regulated by the Board will be required to adopt IFRS. The adoption of IFRS is expected to change the manner in which utilities perform their accounting and the reporting of financial results, and this may create impacts on distribution rates or other charges. This consultation will examine and set regulatory policy regarding the transition to IFRS.

In the fall of 2008, Board staff conducted a series of meetings involving industry participants (under file number EB-2008-0104). Feedback was received from these participants regarding input for the project work plan. Their comments are posted on the Board's IFRS web page. This material has substantially guided the design of this next stage of the consultation process.

This consultation will occur in two phases. In the first phase, the Board will solicit comment from all interested stakeholders to assist the Board in formulating the policy principles involved in the transition to IFRS. The second phase will involve

amendments to regulatory instruments in order to implement the Board's policy principles. The regulatory instruments that may require amendment to implement the transition to IFRS include:

- Gas rules of the Board:
 - Natural gas USoA
 - Natural gas RRR
- Electricity reporting requirements:
 - Electricity RRR
 - Electricity USoA
- Policy guidelines:
 - Electricity APH
 - Filing guidelines for natural gas rate applications
 - Filing guidelines for electricity rate applications

This consultation will focus on regulatory instruments applicable to gas and electricity distributors. Proposed amendments to the regulatory instruments will be issued for comment from participants in this consultation. Subsequent to the completion of the consultation, the Board may consider the need for amendments to regulatory instruments applicable to electricity transmitters and Ontario Power Generation Inc.

Process

The consultation will include a transcribed stakeholder conference attended by Board members and staff. As a preliminary step, the Board will convene an issues meeting for stakeholders led by Board staff to discuss a list of issues to be addressed at the stakeholder conference, and to review details of the process of the consultation. This issues meeting will be held at the Board's hearing room at 2300 Yonge St., 27th floor, Toronto on January 27, 2009. Prior to the meeting, a list of proposed issues prepared by Board staff will be circulated to participants. Both the issues meeting and the stakeholder conference will be webcast, to allow remote participation.

The Board intends to retain the services of a consultant to produce a report summarizing the choices involved in the transition to IFRS and the implications of each, as well as approaches used by other energy regulators in comparable jurisdictions. The consultants will not be making recommendations to the Board in the report. The report will be posted on the Board's website prior to the stakeholder conference.

Cost Awards

Cost awards will be available to eligible participants under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this consultation. Costs awarded will be recovered from all rate-regulated electricity and gas distributors. The costs will be divided equally between the classes of gas and electricity distributors, and apportioned within the classes on the basis of distribution revenue.

Appendix A contains important information regarding cost awards for this consultation, including the process for making eligibility requests and objections. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Invitation to Participate and Filing Instructions

The Board encourages participation in this consultation process by all interested parties. Those interested in participating should indicate their intent by letter addressed to the Board Secretary by **January 14, 2009**. The letter should include:

- a statement indicating whether the participant intends to attend the issues meeting; and
- a statement as to whether the participant wishes to request cost eligibility. All requests for cost eligibility should be accompanied by the information specified in Appendix A under the heading “Cost Award Eligibility”.

All filings to the Board in relation to this consultation must quote file number **EB-2008-0408** and include your name, postal address and telephone number and, if available, e-mail address and fax number. Two paper copies of each filing must be provided. The Board asks that participants make every effort to provide an electronic copy of their filing in searchable/unrestricted Adobe Acrobat (PDF) format and to submit all filings through the Board’s web portal at www.errr.oeb.gov.on.ca. If you do not have a user ID, please visit the “e-filing services” webpage on the Board’s website at www.oeb.gov.on.ca, and fill out a user ID password request. Additionally, interested parties are asked to follow the document naming conventions and document submission standards outlined in the document entitled “RESS Document Preparation – A Quick Guide” also found on the “e-filing services” webpage. If the Board’s web portal is not available, electronic copies of filings may be filed by e-mail at BoardSec@oeb.gov.on.ca. Those who do not have internet access should submit the electronic copy of their filing on CD or diskette.

Filings must be received by **4:45 pm** on the required date.

All materials related to this consultation will be posted on the “OEB Key Initiatives” portion of the Board’s web site at www.oeb.gov.on.ca. The material will also be available for public inspection at the Board’s office during normal business hours.

Questions relating to this consultation can be directed to:

Jennifer Lea
Counsel, Special Projects

Phone: 416-440-7631
E-mail: jennifer.lea@oeb.gov.on.ca .

The Board's toll-free number is 1-888-632-6273, and the Market Operations Hotline is 416-440-7604.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Appendix A

To Letter Dated December 22, 2008

Cost Awards

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **January 14, 2009**, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (including addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the Board's website.

Rate-regulated electricity and gas distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If a distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by **January 22, 2009**. Any objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting participants.

Eligible Activities

Cost awards will be available for:

- preparing for and attending the issues meeting, to a maximum of **12** hours;
- preparing for and attending the stakeholder conference, to a maximum of **60** hours; and
- preparing and filing written comments subsequent to the stakeholder conference, to a maximum of **10** hours.

As other activities are scheduled as part of this consultation, the Board will provide participants with further details regarding costs for those activities.

The eligible hours per activity listed above do not currently provide for eligible participants to claim the costs of an expert to prepare an expert report. It would be helpful to the Board if participants requesting cost eligibility would indicate in their request for cost eligibility whether costs for a separate expert report should be considered for this consultation.

Awards of Costs

When determining the amount of a cost award, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. Groups representing the same interests or class of persons are expected to make every effort to communicate and coordinate their participation in this process. The Board will consider any lack of cooperation when determining the amount of a cost award. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process.

For more information on this process, please see the Board's *Practice Direction on Cost Awards*. The Practice Direction can be found on the Board's website at www.oeb.gov.on.ca on the "Rules, Codes, Guidelines and Forms" webpage.