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BY E-MAIL AND WEB POSTING

November 8, 2010

**All Licensed Electricity Distributors
All Rate-Regulated Natural Gas Distributors
All Licensed Electricity Transmitters
Ontario Power Generation Inc.
Stakeholders and Other Interested Parties Participating in EB-2008-0408**

Transition to IFRS – Amendment to Board Policy

The Board issued its policy *Transition to International Financial Reporting Standards* (“IFRS”) in a Report of the Board dated July 28, 2009, EB-2008-0408 (“Board Report”) predicated on the Canadian Accounting Standards Board (“AcSB”) determination that January 1, 2011 would be the date for transition to IFRS in Canada for entities to which IFRS would apply. In the Board policy this date governs the requirements for filing of rate applications and for periodic reporting of financial information by utilities.

In late July 2010 the AcSB issued a draft pronouncement proposing that eligible rate-regulated enterprises be granted the option of delaying the transition date. This pronouncement was published on September 10, 2010. It provides for an optional delay in the transition date of up to one year, i.e., to fiscal years that begin on or after January 1, 2012.

In response to this development the Board is adjusting certain policy statements in the Board Report that previously referred to January 1, 2011 as the date of transition for utilities adopting IFRS in Ontario. The adjustment affects statements made in Sections 9 and 10 and listed in Appendix 2 of the Board Report (Appendix 2: *Summary of Board Policy*) that provide the date of transition.

The changes are reflected as adjustments to Appendix 2 of the Board Report and are outlined in track changes format in Schedule A attached to this letter. Schedule B provides a tabular illustration of how the policy change applies for utilities adopting IFRS January 1, 2011 and for those adopting IFRS January 1, 2012. The revised Appendix 2 is also posted on the Board’s website under the IFRS Policy Initiative and Consultation

(EB-2008-0408). The Board does not consider it necessary to amend the detailed text in the respective sections in the body of the Board Report.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Att.

Schedule A

Amended Board Policy on Transition to IFRS¹

Note: The amendments shown in track changes format below are amendments to Appendix 2, *Summary of Board Policy*, of the *Report of the Board – Transition to International Financial Reporting Standards* originally issued July 28, 2009 (EB-2008-0408).

Filing and Reporting Requirements

Note: Sections 9 and 10 were amended by the Board on November 8, 2010 to reflect changes in the transition date published by the Canadian Accounting Standards Board on September 10, 2010 such that rate-regulated enterprises in Canada are now permitted to delay adoption of IFRS for financial reporting for up to one year (as at the date of this amendment), i.e., to no later than fiscal years beginning on or after January 1, 2012.

9. Filing Requirements for Rate Applications

Note: Policy statements in this section are organized by sector, not by issue.

9.1 Electricity distributors

9.1.1 Electricity distributors making cost of service applications in 2009 for 2010 rates (or in 2010 for 2011 rates if they have elected to delay IFRS adoption until January 1, 2012) should file using existing CGAAP based regulatory accounting. Such applicants may also file modified IFRS financial data if they so choose, with reconciliations between CGAAP results and modified IFRS results.

9.1.2 Electricity distributors filing cost of service applications for rates in the year they choose to adopt IFRS for financial reporting must provide the required actual years, the bridge year and the forecasts for the test year(s) in CGAAP based format. An electricity distributor may choose to present modified IFRS based forecasts for the bridge and test years, if the distributor seeks to have rates set on the basis of modified IFRS. If the distributor is seeking rates based on modified IFRS accounting, the distributor must identify financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting.

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9.1.3 Electricity distributors filing cost of service applications for rates in the year subsequent to the year they choose to adopt IFRS for financial reporting must file information for the year prior (i.e., the historic year) to the year they choose to adopt IFRS for financial reporting in both CGAAP and modified IFRS format, and provide the bridge year and the forecasts for the test year(s) information in modified IFRS. The years required to be filed prior to the historic year may be provided in CGAAP only. In addition, the distributor must identify financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting.

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¹ Original text as per Appendix B to Report of the Board *Transition to International Financial Reporting Standards*, July 28, 2009 EB-2008-0408.

9.1.4 Electricity distributors filing for rates to be implemented two or more years subsequent to the year in which they choose to adopt IFRS for financial reporting are expected to be required to provide results for the year preceding the year of adoption in both CGAAP and modified IFRS, and identify financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting. Once a distributor has received an order from the Board with rates approved based on modified IFRS, succeeding applications filings are expected to be made in accordance with modified IFRS.

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9.2 Gas utilities

9.2.1 Gas utilities must provide the following information in rate applications for 2013 rates at a minimum.

- Historical year actual information (up to and including the year they choose to adopt IFRS for financial reporting) presented in CGAAP-based accounting.
- Actual results for the year they choose to adopt IFRS for financial reporting presented using modified IFRS.
- Actual and forecasts of results for the year following the year they choose to adopt IFRS for financial reporting and forecasts for succeeding years presented using modified IFRS, and
- A detailed comparative analysis identifying financial differences and resulting revenue requirement impacts arising from the adoption of modified IFRS accounting.

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9.2.2 With respect to reporting for the earnings sharing mechanism, annual results under this mechanism must continue to be provided under the same basis of accounting as that under which the earnings sharing mechanism was approved (CGAAP).

10. Electricity Distributor and Gas Utility Reporting and Record-Keeping Requirements (RRR)

10.1 The Board will require all electricity distributors and gas utilities that are required to adopt IFRS by accounting standard setting bodies to report information to the Board using modified IFRS for regulatory accounting values and IFRS for audited financial statements beginning with the year in which the electricity distributor or gas utility has chosen to adopt IFRS for financial reporting. For those few utilities not required to adopt IFRS for financial reporting, the Board will require that they report information to the Board using the form of generally accepted accounting principles approved by their external auditors as being applicable to them as regulated utilities.

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10.2 The Board will require all electricity distributors and gas utilities to continue to report information to the Board using Canadian GAAP until and including the fiscal year prior to the year in which the electricity distributor or gas utility, as applicable, has chosen to adopt IFRS for financial reporting.

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10.3 The RRR will require reconciliations between financial reporting under IFRS and regulatory accounting information as follows:

For the fiscal year prior to the year in which the electricity distributor or gas utility chose to adopt IFRS for financial reporting, reconciliations between:

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- IFRS for financial reporting and modified IFRS for regulatory accounting (i.e. financial accounting based on IFRS, with the modifications and exceptions for regulatory accounting identified by the Board in this consultation)
- CGAAP results and modified IFRS.

For fiscal years beginning with the year in which the electricity distributor or gas utility chose to adopt IFRS for financial reporting, reconciliations between IFRS for financial reporting and modified IFRS.

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10.4 Utilities under incentive regulation are required to include in their annual RRR filing a reconciliation of reported annual performance to the same basis of accounting as that upon which the incentive framework was approved.

10.5 The RRR will include a requirement for supplementary audit assurance regarding regulatory accounting values reported on an annual basis where they differ from IFRS reported values in audited financial statements and that are not otherwise audited, including for example deferral and variance accounts. The supplementary audit assurance will involve audit of regulatory accounting values by a third party auditor in accordance with generally accepted auditing standards.

Schedule B

Regulatory Accounting Principles to Use in Electricity Cost of Service Applications

For Electricity Distributors Adopting IFRS January 1, 2011 for Financial Reporting Purposes

Year in Which Application Made	Rate Year for Which Application Made (Test Year)				
	2011	2012	2013	2014	2015
2010	CGAAP for H, B & T <u>or</u> CGAAP for H and MIFRS for B & T				
2011		CGAAP for H and MIFRS for H, B & T			
2012			MIFRS for H, B & T		
2013				MIFRS for H, B & T	
2014					MIFRS for H, B & T

For Electricity Distributors Adopting IFRS January 1, 2012 for Financial Reporting Purposes

Year in Which Application Made	Rate Year for Which Application Made (Test Year)				
	2011	2012	2013	2014	2015
2010	CGAAP for H, B & T <u>or</u> CGAAP for H, B & T and MIFRS for T <u>or</u> CGAAP for H & B and MIFRS for B & T				
2011		CGAAP for H, B & T <u>or</u> CGAAP for H and MIFRS for B & T			
2012			CGAAP for H and MIFRS for H, B & T		
2013				MIFRS for H, B & T	
2014					MIFRS for H, B & T

Legend:

H = Historic Year financial information (last full year of actual historical information)

B = Bridge Year regulatory financial information

T = Test Year regulatory financial information

} Years in a Cost of Service Application

CGAAP - Canadian Generally Accepted Accounting Principles

MIFRS - International Financial Reporting Standards modified by the Ontario Energy Board for regulatory purposes consistent with the *Report of the Board on Transition to IFRS*, July, 2009, amended November, 2010

= Year in which both CGAAP and MIFRS information required