IFRS Technical Conference

May 4, 2009

EDA
The Voice Of Ontario's Electricity Distributors

EDA's Recommendations

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Principles and Proposals

- The EDA supports the principles as outlined by Board staff.
- We generally concur with the proposals put forward by the Board staff, but would like to suggest just 4 minor changes.

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Minor Changes Recommended

1. **<u>Accounting for PILs –</u>**
   – Any impacts on PILS paid by an LDC, directly resulting from the adoption of IFRS, should result in a true up of this change to the PILS revenue requirement until the next rebasing
   – This is similar to what occurs currently with statutory changes impacting PILS

Minor Changes Recommended

2. **<u>Admin costs related to transition to IFRS –</u>**
   – As long as the IFRS transition costs are subject to a future prudency review, there should be no specified effective date for transition costs to become eligible for recovery.
   – The proposed January 1, 2009 date would be punitive to those LDCs which began the transition work prior to 2009. Some of this work assisted the OEB and other stakeholders during the consultation in 2008.

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Minor Changes Recommended

3. **Proposed Transition Cost Threshold Test**

   The proposal to 'Establish a threshold test similar to that used for Market Transition Costs' would be acceptable provided that:

   – The threshold is established at a level which is consistent with the typical IFRS implementation cost for LDCs

   – Costs incurred at or below this threshold be allowed for recovery without applying a discount factor

   – Costs in excess of this threshold be subject to a full prudency review by the Board

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Minor Changes Recommended

4. **"Should any proposed increases in revenue requirement that may arise from changes in accounting for rate base and operating costs prompted by the adoption of modified IFRS be recovered from ratepayers? If yes, on what basis?"**
   - The EDA believes that recovery from customers is appropriate;
   - Prior to rebasing, transitional differences are to be recorded in a deferral account for future disposition;
   - At rebasing, outstanding items are to be disposed of and permanent impacts are to be reflected in revenue requirements with appropriate implementation of rate mitigation plans where necessary

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