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BY E-MAIL AND WEB POSTING

March 28, 2012

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

**Re: Revision of Accounting Procedures Handbook for Electricity Distributors
Board File No.: EB-2011-0428**

The Ontario Energy Board has today released a final version of the revised *Accounting Procedures Handbook for Electricity Distributors* (the “APH”), formerly titled *Accounting Procedures Handbook for Electric Distribution Utilities*. The revisions were largely undertaken to reflect the adoption of International Financial Reporting Standards (“IFRS”) by the majority of electricity distributors, and the Board’s policy with respect to the transition to IFRS. In addition, the revisions include updates to reflect current regulatory accounting requirements arising from Board decisions, reports and APH frequently asked questions (e.g., approved deferral or variance accounts).

The revised APH is available on the “Rules, Codes, Guidelines & Forms” page of the “Industry” section of the Board’s website at www.ontarioenergyboard.ca.

On December 21, 2011, the Board issued the draft APH for comment by interested stakeholders. The Board received six submissions on the draft APH. The Board found the submissions very helpful and thanks the parties for their thoughtful review of the proposed amendments. Many of the recommendations in the submissions have been accepted.

Examples of revisions made as a result of stakeholder recommendations are:

- The creation of four new income statement accounts in the Uniform System of Accounts:
 - 4086 SSS Administration Revenue
 - 4357 Gains from retirements of utility and other property
 - 4362 Losses from retirements of utility and other property
 - 4410 Lessor’s net investment in finance lease;

- Clarification regarding Article 510: that the requirement for “two sets of books” applies only to the transitional year, and is driven by IFRS, rather than APH requirements.

However, where a recommendation was inconsistent with policy that had been recently articulated by the Board, or was not within the scope of the APH revision, no change was made. Examples of recommendations not accepted are:

- No creation of a deferral account for losses arising from premature retirements (consistent with the determination on Issue 6 of the *Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate mechanism Environment*);
- No reclassification of asset impairment losses to depreciation expense (consistent with the determination on page 20 of the *Report of the Board: Transition to International Financial Reporting Standards*);
- No relief from the requirements to record details on capital contributions by asset type. The Board has clarified that the level of detail should be consistent with IFRS requirements
- No creation of accounts to separate transformer station and low voltage wheeling charges. The Board acknowledges that there could be merit in having additional details. Nothing in the APH precludes a distributor from tracking this information. However, the Board feels that any discussion on this issue is better undertaken as part of the development of future rate setting mechanisms.
- The Board will consider whether further generic regulatory accounting guidance associated with the recovery of asset retirement obligations is warranted, but will not make amendments to the APH at this time.
- There were a number of minor issues of clarification raised in which the Board does not see the need to amend the APH, but will consider whether guidance in a future Frequently Asked Questions release would be helpful.

Distributors should note that IFRS requires the accrual method of accounting and as such the Board requires this method to be used for RSVA and RCVA items for regulatory reporting as of January 1 of 2012 as outlined in Article 490. The Board will require distributors that previously used the “billed” method to adopt the accrual method no later than June 30 of 2012 for regulatory accounting and reporting.

All materials related to this consultation including an APH track change version showing the changes arising from the consultation are available on the Board’s website at www.ontarioenergyboard.ca under the “Transition to IFRS” webpage.

If you have any questions regarding the revised APH please contact the Market Operations hotline at 416-440-7604, or by e-mail at Market.Operations@ontarioenergyboard.ca. The Board's toll-free number is 1-888-632-6273.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary