



**EB-2014-0282**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** an application pursuant to  
section 74 of the *Ontario Energy Board Act, 1998* by  
Upper Canada Transmission, Inc. to amend its Electricity  
Transmission Licence ET-2011-0222

**By delegation, before:** Peter Fraser

## **DECISION AND ORDER**

**November 20, 2014**

Upper Canada Transmission, Inc. ("Upper Canada" ) filed an application on September 2, 2014 with the Ontario Energy Board (the "Board") under section 74 of the *Ontario Energy Board Act, 1998* (the "Act") for an order of the Board granting Upper Canada an amendment to its electricity transmission licence (ET-2011-0222). The amendment seeks the Board's approval to use United States Generally Accepted Accounting Principles ("US GAAP") rather than Modified International Financial Reporting Standards ("MIFRS") for regulatory purposes. The Board assigned file number EB-2014-0282 to the application.

Upper Canada will need to prepare financial statements to be filed with the Board by April 30, 2015 pursuant to the Electricity Reporting and Record-keeping Requirements ("RRR"). Upper Canada is seeking the Board's approval to adopt USGAAP as the basis for rate setting, regulatory accounting and regulatory reporting.

In its July 2009 report “Transition to IFRS” and subsequent Addendum to Report of the Board “Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment” (the “Addendum”) issued in June 2011, the Board stated that it expected regulated utilities to use MIFRS for the purposes of reporting to the Board and preparing rate applications. However, the Board indicated that a utility could, as part of a cost of service application, ask that it be permitted to use another accounting standard for regulatory accounting. The utility would have to demonstrate its eligibility to use the alternate accounting standard for financial reporting, and set out the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation.

Upper Canada, as a newly licenced transmitter not yet providing transmission services, has not yet had a cost of service hearing but requires the Board’s approval to use USGAAP to prepare the financial statements to be filed with the Board. Section 70(2)(f) of the Act permits requirements regarding the maintenance of accounting records to be specified in the licence of a transmitter.

Upper Canada states that as a company registered under New Brunswick *Business Corporations Act*, it is allowed under that statute to prepare financial statements using any generally accepted accounting principles, including USGAAP. Currently Upper Canada must prepare its financial statements in USGAAP as two of Upper Canada’s three partners (NextEra Energy UCT Holding Inc. and Enbridge Transmission Holdings Inc.) report under USGAAP.

In its application Upper Canada set out the benefits of using USGAAP for regulatory purposes. Specifically, Upper Canada stated that:

- Upper Canada would have to maintain two different accounting frameworks if required to use MIFRS, increasing administrative costs;
- there will be the cost benefit to ratepayers as USGAAP allows for some administrative costs to be capitalized and recovered over time at lower depreciation rates;
- the use of USGAAP will be administratively simpler and will eventually benefit ratepayers and Upper Canada as a transmitter; and
- using USGAAP will allow for comparison and benchmarking with other entities and utilities using USGAAP for regulatory purposes (Hydro One, Toronto Hydro, Enbridge Gas Distribution, Union Gas).

I find that the reasons provided by Upper Canada are sufficient to support the

applicant's request to use USGAAP for regulatory purposes.

I have decided Upper Canada's licence amendment application without a hearing pursuant to section 21(4)(b) of the Act since no other parties are adversely affected in a material way by the outcome of the proceeding, and the applicant has consented to disposing of the application without a hearing.

After considering the application, I find it to be in the public interest to grant the requested amendment.

**IT IS THEREFORE ORDERED THAT:**

1. Upper Canada Transmission Inc.'s Electricity Transmission Licence (ET-2011-0222), specifically Schedule 3 of the licence, is amended to allow the use by the licensee of United States Generally Accepted Accounting Principles for regulatory purposes.

**DATED** at **Toronto**, November 20, 2014

**ONTARIO ENERGY BOARD**

*Original signed by*

Peter Fraser  
Vice President, Industry Operations and Performance