

July 9, 2008

Interested Parties

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) RESPONSES TO COLLABORATIVE PROCESS**

The Alberta Utilities Commission (AUC or Commission) has formed an internal team to examine issues with regard to the utilities the Commission regulates surrounding the decision by the Accounting Standards Board that would require all Canadian reporting entities to adopt and apply IFRS after January 1, 2011.

On May 23, 2008, the team issued a letter in which feedback was solicited from the utilities regarding interest in participating in a collaborative process regarding this transition to IFRS. The team received feedback from the following utilities:

- Direct Energy (Direct)
- AltaGas Utilities Inc. (AltaGas)
- ENMAX Power Corporation (ENMAX)
- ATCO Pipelines, ATCO Gas and ATCO Electric (ATCO Utilities)
- FortisAlberta Inc. (Fortis)
- NOVA Gas Transmission Ltd. (NGTL)
- EPCOR Utilities Inc. (EPCOR)
- AltaLink Management Ltd. (AltaLink)

The team also received a number of unsolicited responses from various individuals ranging from accounting consultants to information technology consultants.

All of the utilities who responded indicated that they would be interested in participating in a collaborative process. Direct and NGTL had no comments with respect to the timing of the collaborative process. The ATCO Utilities, EPCOR and AltaLink commented that the collaborative process should commence as soon as possible and practical. AltaGas suggested that their involvement would be most productive after June, 2008. ENMAX indicated that its preferred timeline would be after it has completed its regulatory hearing in September. Fortis urged the Commission to initiate this process in September, 2008.

The team considers that September, 2008 would be the most practical time to commence the collaborative process and one that would allow the most productive participation from the utilities as a group. Details on the specifics of the initial meeting, including an agenda, will be issued in due course.

The team noted that both Fortis and EPCOR included comments regarding whether or not the AUC will require the utilities to adopt IFRS for regulatory reporting. EPCOR stated that it is important that a decision as to the general direction of the AUC with respect to adopting or not adopting IFRS be made first. Fortis added that it envisioned such a collaborative process be used to establish, at a minimum, which aspects of IFRS accounting policies will not be used for rate setting purposes (if any); ways to minimize the differences between regulatory and external financial reporting; and a transition plan.

Currently, the team considers that the focus of the collaborative process should be on the actual transition to IFRS itself. The team notes that the utilities required to adopt IFRS will be working on the transition regardless of what effect, if any, this adoption may have on their regulatory filings. Consequently, the team envisions that in the initial stages of the collaborative process, the main purpose of the meetings will be for participants to engage in dialogue with their peers regarding the transition. This would include exchange of information on issues associated with the transition, including but not limited to:

- what areas have been identified as being effected;
- what stage of progress each utility is at;
- expected timelines for completion;
- staff requirements;
- best practices to follow (experience gained during the transition).

The team is also prepared to allow participation in the collaborative process by any interested party, including but not limited to consumer representatives, industry association representatives, and consultants. Any party who chooses to participate will not be eligible for cost recovery. In addition, information discussed at the collaborative process may be subject to certain confidentiality and/or usage restrictions. Other than the utilities, any party who wishes to participate in the collaborative process should submit their intention to do so to David Mitchell at the e-mail address indicated later in this letter.

The AUC is not in a position at the current time to make any determination with respect to whether or not it will require any changes to be made to the regulatory filing and reporting requirements as a result of the adoption of IFRS by the Accounting Standards Board. Non-participation in the initial stages of the collaborative process will not restrict any party from being extended future invitations with regard to this topic. As mentioned in the AUC's letter of May 23, 2008, the team noted that this collaborative process may also serve as a venue for a discussion of potential changes to the Commission's reporting requirements. If the AUC decides that this should become part of the mandate of the collaborative process, the team will ensure at that time that all potentially effected parties, including customer representatives, will be invited to participate.

Even though the collaborative process is not scheduled to commence until sometime in September, the utilities are more than welcome to submit in advance any information they consider would be of assistance to the other participants. Any information received will be posted on the Commission's website under the Projects & Initiative tab on the Home Page.

Please contact me if you have any questions. I can be reached by telephone at (780) 422-2073 or by e-mail at [David.Mitchell@auc.ab.ca](mailto:David.Mitchell@auc.ab.ca)

Yours truly,

*(sent by e-mail)*

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