

BY EMAIL

May 23, 2008

Regulatory and Financial Contacts for Various Utilities Regulated by the Alberta Utilities Commission

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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.

The team is interested in participating in a collaborative process regarding this transition to IFRS. The end goal of this process would be to address the implications of the transition to IFRS on regulatory accounting and processes related to the regulatory compact. This collaborative process will also provide an opportunity for participants to engage in dialogue with other industry members regarding the transition. It may also serve as a venue for discussion of other issues associated with the transition, including potential changes to the Commission's reporting requirements and the provision of performance information by utilities that are subject to an incentive rate mechanism that bridges the implementation date for IFRS.

The team would appreciate your feedback as to whether you would be interested in participating in such a collaborative process. Please provide your responses by no later than **June 4, 2008**. If you are interested in participating, please provide your preferred timeline for any collaborative sessions as part of your response. Once the responses have been reviewed, the team will issue further correspondence as required. Please send your responses directly to me via e-mail at David.Mitchell@auc.ab.ca

Regardless of whether or not a collaborative process is established, in the performance of its duties, the team will, on occasion, require input from the Utilities. This is one of those instances.

The team is attempting to assess the scope and range of accounts that may be affected by adopting IFRS. The team has identified the following list of accounts as having the potential of being affected:

- Deferral accounts of any kind (including placeholders of any type associated with these)
- True ups of any kind (e.g. true ups for interim vs. final rates) approved for repayment/collection in a subsequent year(s)
- Rider applications and rider amounts approved for repayment/collection in a subsequent year(s)
- Income taxes

- Pension assets/liabilities
- Hearing cost reserve
- Self insurance reserve
- Any items associated with performance or formula based methodologies that involve repayment/collection in a subsequent year(s)
- Capital assets (including componentization; capitalized general and administration costs; allowance for funds used during construction; recognition of gains/losses on sales; impairment of long lived assets; revaluation; asset retirement obligations)

As this list may not include all of the accounts that would be affected by the adoption of IFRS, the team is requesting that you review the items included on this list and add any items that you consider are missing. The team would appreciate your reply **by June 13, 2008**. Again please send your response to David Mitchell at the following e-mail address:

David.Mitchell@auc.ab.ca.

The AUC's website (www.auc.ab.ca) has a section entitled 'Projects and Initiatives'. The team will add IFRS as a new project within this section of the website. The responses received with regard to the information requested in this letter and other future information related to the AUC's IFRS initiative will be posted to this IFRS Project section. However, the responses received with respect to the collaborative process participation request will not.

The team has reviewed the externally available financial statements for 2007 that have been published by various Alberta utilities. The overriding comment at this time with regard to IFRS is that the utilities are currently assessing the impact on their financial statements. The team will be requesting information in this regard as the utilities work toward completing these assessments however the team is not asking for such information at this time.

The team appreciates your co-operation with regard to this very important matter.

Please contact me if you have any questions. I can be reached by telephone at (780) 422-2073 or by e-mail at the address listed above.

Yours truly,

(sent by e-mail)

David Mitchell, CA
Regulatory Specialist
Utilities Division – Edmonton