



June 13, 2008

Attention: Mr. David Mitchell
Regulatory Specialist
Alberta Utilities Commission

Dear Mr. Mitchell

Subject: IFRS Collaborative Process – Issues

By letter dated May 23, 2008, the Commission indicated that its team is interested in a collaborative process regarding the transition to IFRS and had

- (a) requested feedback from utilities on their interest in participating and preferred timeline; and
- (b) asked utilities to provide a list of issues to be examined.

AltaLink responded on June 4, 2008 that AltaLink would be pleased to participate in the collaborative process and noted that there is some urgency in commencing the collaborative process as soon as practicable.

In addition to the list of items identified by the AUC as potentially being affected by adopting IFRS, AltaLink has identified the following list of issues which AltaLink believes will arise on adopting IFRS.

1. Early Adoption – if the CSA (Canadian Securities Administrators) allow early adoption of IFRS for a financial year beginning on or after January 1, 2009, what will be the AUC's position with regards to allowing the Utilities that the AUC regulates to adopt IFRS early?
2. Regulatory Accounting – Currently, IFRS does not recognize regulatory accounting. There are a number of significant issues on adoption of IFRS:
 - The potential mismatch of the recognition of revenue and expense due to the definition of assets and liabilities and the derecognition

of regulated assets and liabilities, such as deferral accounts and reserves;

- the recognition (measurement) of revenue arising from items capitalized for regulatory purposes, but not for IFRS (i.e. GAAP) purposes, such as AFUDC - Equity;
 - Measurement and timing of recognition of assets and liabilities and the associated revenues and expenses, e.g indirect costs that are currently capitalised;
 - The method to be used for the recognition of income tax expense;
 - The potential recognition of non-capital items in rate base for regulatory purposes, e.g. intangible assets;
 - The proposed treatment of customer contributions under IFRIC D24; and
 - Immediate recognition of gains and losses on disposal of PP&E.
3. First-time Adoption of IFRS – preparing an IFRS opening balance sheet and related adjustments, selecting accounting policies and retroactive application, applying mandatory exceptions and choosing option exceptions and preparing disclosures and reconciliations for first-time adoption.
4. PP&E – componentization, measurement after recognition (cost model versus revaluation model), exclusion of AFUDC equity, exclusion of indirect costs, categorizing assets properly between PP&E and inventory, impairment testing, the tracking of write-downs and treatment of customer contributions.

5. Impairment of assets – identifying the cash generating unit and calculating depreciation on that basis, testing and quantifying impairment, reversal of impairment charges and goodwill impairment.
6. Provisions, Contingent Liabilities and Contingent Assets – recognizing constructive obligations in addition to legal obligations, measurement of asset retirement obligations and determining the discount rate specifically for the liability.
7. Financial Instruments – possible reversal of impairment losses and the treatment of transaction costs and other differences.
8. Other differences between IFRS and Canadian GAAP with Impact on AltaLink – accounting and reporting by retirement benefit plans, income taxes, leases, joint arrangements, revenue recognition, operating segments, presentation of financial statements, cash flow statements, interim financial statements, inventories, borrowing costs, accounting policies, changes in accounting estimates and errors and intangible assets.

We look forward to working with you to address these issues.

Please address all correspondence to the undersigned at zora.lazic@altalink.ca and a copy to regulatory@altalink.ca.

Yours truly,

(original signed by)

Zora Lazic
Senior Vice President,
Regulatory and Client Services