



AUC Proposed Rule 026- Rule regarding Regulatory Accounting Procedures Pertaining to the Implementation of the International Financial Reporting Standards

Issue/Topic	AUC Response
<p>FortisAlberta On page 7 we would suggest that the following change be made to conform to the timeline for allowed adoption dates of either January 1, 2010 or January 1, 2011 noted prior to the table. Within the table for the Fiscal Year, 2009 & beyond, Forecast, (second last row) we suggest the following wording for the "Accounting/Reporting Standard to Use" column: "Utilities may elect to forecast based on IFRS Procedures commencing with the 2010 or 2011 forecast year."</p>	<p>The table referred to in the stakeholder comments is now found under Section 2(4) of the proposed rule. The Commission accepts the suggestion and has made the wording changes to the table.</p>
<p>FortisAlberta On page 10 under 5.2.2.1 the reference is to "original costs" whereas under the guiding principles the reference is to "historical costs". You may want to conform 5.2.2.1 to the term used in the guiding principles.</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6(2) (a) of the proposed rule. The Commission accepts the suggestion and has made the word change to "historical".</p>
<p>FortisAlberta On page 14 under 5.2.2.12 in the second sentence the word "of" should be changed to "or" so that it reads "the resulting gain or loss".</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (2) (l) and note 28 in Appendix II of the proposed rule. The Commission accepts the suggestion and has made the word change to "or".</p>
<p>FortisAlberta On page 15 under 5.2.2.15 a point should be added that if the method of depreciation is not IFRS compliant then the utility will have the opportunity to submit an application to the AUC requesting approval to become compliant with IFRS. The proposed depreciation rates would be subject to review by the AUC and other interested parties. At the time this document was compiled it was thought that there would be no IFRS differences with depreciation calculations. Since that time, further analysis indicates that there is some question as to whether, in all circumstances, existing depreciation rates would be IFRS compliant. For consistency with 5.2.2.10 Depreciation Rates, we propose it be identified and handled in a similar manner.</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (2) (o) of the proposed rule. This comment was considered and the section was re-written to reflect the suggestion provided by the stakeholder.</p>

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<p>FortisAlberta On page 16 under 5.2.8 we suggest the following be added: "The amounts related to capital assets will be recorded separately in an account specific for that purpose and the utility will propose in its rate application the method for settling this amount". Since this amount would normally be recorded to accumulated depreciation for regulatory purposes this will allow it to be tracked separately in a deferral account so that the difference between IFRS and regulatory reporting is more easily tracked.</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (8) of the proposed rule. The Commission considers that the wording suggestion recommended by FortisAlberta had not been discussed with the working group. Consequently, the Commission does not accept the suggestion of FortisAlberta.</p>
<p>AltaLink Include debt component of AFUDC in the first paragraph of Section 5.2.2.3 Capitalization/Non-Capitalization of Costs: Borrowing Costs/Equity Allowance for Funds used During Construction (AFUDC)</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (2) (c) of the proposed rule. The Commission accepts the suggestion and has made the wording changes.</p>
<p>AltaLink Cross-reference each section to the applicable IAS.</p>	<p>The Commission accepts the suggestion and has provided the applicable reference. See section 4 of the proposed rule.</p>
<p>NOVA NGTL suggests that the AUC include a description of the IASB project on rate-regulated activities and its status and the potential impact it may have on the Draft IFRS Procedures in either the body of the document or as an attachment.</p>	<p>In the draft IFRS Procedures document the Commission stated the issuance of a new IFRS standard by the IASB or the issuance of an interpretation by the IFRIC would be a reason to review the rule. The Commission believes this review process to be sufficient with respect to reporting on IASB project updates.</p>
<p>NOVA For added clarity, NGTL suggests that existing accounting practice could be better defined by including an explicit description of the existing accounting practice for each accounting issue in section 5 of the document.</p>	<p>The reference mentioned in the stakeholder comment is now found under section 6 of the proposed rule. This suggestion was not accepted as the Commission considers that the existing accounting practice for each issue in section 6 of the proposed rule may be different for each utility and if they are all described it would result in the document being too detailed in this regard. The Commission did clarify the definition of "Existing Accounting Practice" in section 1 of the proposed rule.</p>

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<p>NOVA The chart on page 7 of the Draft IFRS Procedures outlines reporting requirements during the transition period from 2009 through 2011. With respect to 2011 fiscal year regulatory reporting, the AUC has indicated that 2010 comparatives prepared under AUC IFRS Procedures will be a reporting requirement. Requiring 2010 comparatives in accordance with AUC IFRS Procedures will task utilities with an additional accounting and reporting burden. Given that the AUC has proposed requirements that utilities identify and outline a method of settling financial differences that arise as a result of the adoption of the Draft IFRS Procedures, NGTL suggests that the added requirement of providing 2010 comparatives under AUC IFRS Procedures is redundant.</p>	<p>The table referred to in the stakeholder comments is now found under Section 2(4) of the proposed rule. The wording in the table found under section 2 (4) has been revised to provide greater clarity.</p>
<p>NOVA With respect to the treatment of gains and losses upon retirement or disposal of assets as outlined in 5.2.2.9 of the Draft IFRS Procedures, the AUC has indicated that for rate-making purposes, utilities will maintain the existing accounting practice of recording gains and losses. If the existing accounting practice is maintained, it is not clear why a utility would need to track and report to the AUC differences between existing accounting practice and IFRS as outlined in the Draft IFRS Procedures. Furthermore, existing accounting practice does not require the determination of gains and losses upon retirement or disposal of assets. Instead, where an asset is retired, the related book cost is transferred from the asset account to accumulated depreciation which does not result in the need to quantify or separate accounting of gains or losses. Given this, NGTL is unclear as to the objective of the requirement to track and report differences between existing accounting practice and IFRS and submits that to require the utility to record a notional gain or loss separately in accumulated depreciation is not consistent with existing accounting practice.</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (2) (i) of the proposed rule. The Commission notes that there was discussion of this issue at the working group meeting of November 20, 2008. During that discussion it was noted that there may be concerns in this area connected to depreciation methodologies and whether or not they are acceptable to the utilities' auditors. The outcome relating to these concerns may result in different gains and losses being recorded for IFRS purposes and regulatory purposes. Subsequently, the utilities may wish to apply to the AUC to account for regulatory gains and losses in accordance with IFRS. Consequently, part of the consensus position reached was that the utilities would identify and record any difference between IFRS and regulatory reporting requirements in a separate subsidiary accumulated depreciation.</p>
<p>EPCOR Definitions The wording in the definition of Regulatory Assets and Liabilities should make it clear that the definition applies to all users. The Uniform System of Accounts is specific to a certain set of utilities, so it is less likely other users (like RRT providers) would think to look in that definition for guidance on deferral accounts. The Regulatory Assets and Liabilities definition would be more understandable if "gains and losses that would have been included in net income in one period under the general requirements of the Uniform System of Accounts" were replaced with: "gains and losses that would have been included in net income in the absence of regulatory accounting".</p>	<p>The reference mentioned in the stakeholder comments is now found under section 1 (j) of the proposed rule. The Commission has modified the definition to delete the reference to the Uniform System of Accounts as well as to delete the reference to gains and losses.</p>

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<p>EPCOR For clarity, please indicate that Utilities which elect to forecast based on IFRS Procedures must follow ALL (ie. Not just selectively some) IFRS procedures.</p>	<p>The wording in the table found under section 2 (4) has been revised to provide greater clarity. The Commission has substituted the wording “IFRS Procedures” with “This Rule”. The Commission considers that it is now clear that if Utilities elect to forecast based on the proposed rule, that it will have to comply with all aspects of the proposed rule.</p>
<p>EPCOR 5.2.2.6. Capitalization/Non-Capitalization of Costs: Pre-Operating Costs, 5.2.2.7. Capitalization/Non-Capitalization of Costs: Training Costs, 5.2.2.8. Capitalization/Non-Capitalization of Costs: Asset Commissioning Costs</p> <p>Delete the words “There is potential that”.</p>	<p>The references mentioned in the stakeholder comments are now found under sections 6 (2) (f), (g) and (h) and notes 13, 16 and 19 in Appendix II of the proposed rule. The Commission accepts the suggestion and has removed the wording.</p>
<p>EPCOR 5.2.2.15 Capital Inventories The section heading should be renamed “Capital Spares” instead of “Capital Inventories”. The first sentence should be deleted, and the reference to “capital inventory” in the second sentence should be changed to read “capital spares”.</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (2) (o) of the proposed rule. The Commission did not accept the proposed wording change as it considers that capital inventory may consist of more than spares and as such it did not want to limit the issue to only capital spares. The section was re-written to recognize the affect IFRS reporting may have on the timing of commencement of depreciation or the rate of depreciation on capital inventories.</p>
<p>ATCO GAS Property, Plant & Equipment – Capitalization/Non-Capitalization of Costs: Training Costs</p> <p>We talked about training costs and the early adoption of Intangible assets but we didn’t tie the two issues together. We would propose the addition of the part bolded below on page10 to just that.</p> <p>There is potential that certain training costs currently capitalized would not be capitalized under IFRS or under the early adoption of IFRS for intangible assets in 2009. On a prospective basis for rate making purposes, the Utilities will adhere to the IFRS requirements. Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in the Utility’s first rate filing after IFRS adoption. The Utility will propose in its rate application the method for settling the difference (e.g. the establishment of a regulatory asset or liability). In</p>	<p>The reference mentioned in the stakeholder comments is now found under section 6 (2) (g) of the proposed rule. The suggested wording has been accepted and is part of footnote 16 of the proposed rule.</p>

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In addition, the Utility will file a copy of its updated capitalization policy as a part of its first rate filing after IFRS adoption. The AUC and other interested parties will review these proposals and capitalization policies as part of the rate-making process.	