

IFRS Discussions

Meeting Date: October 30, 2008

Meeting Time: 1:30-4:30

Location: AUC Offices - 12th Floor HSBC Building Edmonton & Telephone Conference

Attendees: Shawn Allen, Silvia Danchuk, Darcy Mazurkewich, David Mitchell, Fino Tiberi (AUC), Arnold Mantei, Mike Stock (AltaGas), Joseph Bronneberg, John Piotto (AltaLink), Barry McNabb (ATCO Electric), Azad Merani (Consumers' Group), Connie Franklin, Kate Leonard, Melanie Litoski (ENMAX), Pamela Chung, Mark Jurijew, Pat Wong (EPCOR), Dustin Madsen, Mike Olson, Lynn Piquard (FortisAlberta), Jamie Drummond, Sheldon Jacobs (KPMG), Jennifer Janes, Kara Mah (TransCanada), Russ Bell (UCA)

1. Status of Transitioning to IFRS Reporting Standards

The group spent the first half of the meeting providing an update on the challenges and issues that are being faced by the utilities with the transition to IFRS standards.

- The utilities will be starting the effort to transition to IFRS standards in the first quarter of 2009 (i.e., assessment of cost, effort, resources and preparation of implementation plans)
- Timely directions from the AUC will provide greater certainty and clarity to the utilities with their systems planning and implementation activities
- The utilities recognize that under the worst case scenario Property Plant & Equipment information will likely need to be maintained under “two separate sets of books”- one for regulatory reporting requirements, the other to comply with IFRS standards
- Issues identified with maintaining separate financial models include:
 - Cost and effort to develop and implement the financial systems to support two separate financial models
 - Cost and effort of maintaining two separate financial models
 - Cost and effort of reporting two separate financial models
 - Cost and effort of reconciling two separate financial models
- Discussion of timelines associated with having a rule approved by the Commission. It was agreed that the group set a deadline of mid December to have a draft rule prepared for submission to the Commission. It was hoped that in the absence of any objections, the Commission would have the rule approved by the end of January, 2009.

2. Development of Guiding Principles

The group spent the second half of the meeting identifying the guiding principles that will be used to establish the regulatory reporting requirements and expectations.

The initial exercise produced the following list of principles:

- **IFRS will not drive regulatory requirements but should be aligned as much as possible. Commission retains authority to set regulatory accounting requirements. Balance complexity and cost of regulatory requirements vs. value of additional information.**
 - The utilities recognize that the AUC has wide discretion in determining the methodology to be used in establishing rates and how the methodology is to be applied and is not bound by accounting standards
 - With the disappearance of GAAP supported standards, the AUC will need to redefine its regulatory reporting standards
 - Alignment of regulatory reporting standards with the IFRS standards should be considered where the reduction in the level of complexity and the cost of the transition offsets the deemed value of the current regulatory accounting treatment.

- **Balanced effects on customer rates and shareholder return**
 - Selective use of deferral accounts
 - Maintain existing exposure of risk between customers and shareholders
 - Any changes in reporting standards should not affect rates of return

- **Regulatory requirements continue to be based on historic rate making principles**
 - Intergenerational equity
 - Avoidance of rate shock
 - Historic cost

- **Requirements are universal. Rule will allow for exemption requests for specific utility deviations.**
 - Standardize the policies to the greatest extent possible

Next meeting to be held on Thursday, November 20 and Friday, November 21 at the AUC's office in Calgary.

3. Action items

- Minutes to be sent out for review and comments to attendees
- Guiding principles as included above will be more clearly articulated and sent out for review and comments
- Agenda for next meeting will be sent out in advance of the Nov 20 meeting
- Summary of responses previously received from the utilities on priority issues to be prepared and sent out prior to the Nov 20 meeting