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4 Capital Drive, Hay River NT X0E 1G2 • Phone (867) 874-5200 • Fax (867) 874-5251

September 3, 2013

Attention: Mr. Hans Hoogervorst
Chair, International Accounting Standards Board
30 Cannon Street
London EC4 6XH
United Kingdom

Dear Mr. Hoogervorst:

Submitted electronically through the IFRS Foundation website (www.ifrs.org)

Re: April 2013 Exposure Draft ED/2013/5 Regulatory Deferral Accounts

We are pleased to submit our comments to the International Accounting Standards Board (IASB) on its recent Exposure Draft on Regulatory Deferral Accounts on behalf of the Northwest Territories Power Corporation (NTPC) and the Northwest Territories Hydro Corporation (NT Hydro). NT Hydro is NTPC's parent company and is wholly owned by the Government of the Northwest Territories.

NTPC is a regulated power company operating in the Northwest Territories, Canada. We are responsible for generating and delivering power across 1.3 million square kilometres of Canada's North. We operate 28 separate power systems and serve a population of approximately 43,000. We generate approximately 75% of our electricity from hydroelectric sources. The remainder comes mainly from diesel and natural gas generation.

NTPC and NT Hydro have both been reporting under Canadian GAAP with the optional deferral for IFRS adoption allowed for under the Canadian Accounting Standards Board until further guidance is provided by the IASB on regulatory deferral accounts. The ability to recover costs through rates is fundamental to NTPC's financial sustainability and the continued recognition of rate regulated assets and liabilities reflects the economic reality of rate-regulation in NTPC's operations and financial statements.

We appreciate the IASB's exposure draft's goal of allowing entities that currently recognise regulatory deferral accounts in accordance with their previous GAAP to continue to do so when adopting IFRS in order to allow those entities to avoid making major changes in accounting policy on transition until guidance can be developed through the comprehensive project.

The appendix to this letter includes our responses to the ten questions included in the Exposure Draft.

If you have any questions or would like to discuss any of these matters, feel free to contact us.

Yours truly,

Cory Strang, CFA
Acting Director Finance and CFO

APPENDIX
Northwest Territories Power Corporation
Response to Exposure Draft – ED/2013/5 – Regulatory Deferral Accounts

Question 1

The Exposure Draft proposes to restrict the scope to those first-time adopters of IFRS that recognised regulatory deferral account balances in their financial statements in accordance with their previous GAAP.

Is the scope restriction appropriate? Why or why not?

We agree with the scope restriction.

We recognize that the restriction to first-time adopters is consistent with the objective of removing barriers to first-time adoption as well as allowing those entities to avoid making major changes in accounting policy on transition to IFRS until guidance can be developed through the comprehensive project.

Question 2

The Exposure Draft proposes two criteria that must be met for regulatory deferral accounts to be within the scope of the proposed interim Standard. These criteria require that:

(a) an authorised body (the rate regulator) restricts the price that the entity can charge its customers for the goods or services that the entity provides, and that price binds the customers; and

(b) the price established by regulation (the rate) is designed to recover the entity's allowable costs of providing the regulated goods or services (see paragraphs 7 -8 and BC33-BC34).

Are the scope criteria for regulatory deferral accounts appropriate? Why or why not?

We agree with the scope criteria for regulatory deferral accounts. We believe that the criteria in the proposed interim standard are much wider in scope than those included in the 2009 Exposure Draft and will, therefore, enable almost all Canadian rate-regulated utilities to adopt IFRS and recognize regulatory deferral accounts if they chose that option. In our opinion, including these balances in an entity's financial statements is a better reflection of the economic reality arising from the operation of rate-regulated activities.

Question 3

The Exposure Draft proposes that if an entity is eligible to adopt the [draft] interim Standard it is permitted, but not required, to apply it. If an eligible entity chooses to apply it, the entity must apply the requirements to all of the rate-regulated activities and resulting regulatory deferral account balances within the scope. If an eligible entity *chooses not to adopt the [draft] interim Standard, it would derecognise any regulatory deferral account balances that would not be permitted to be recognised in accordance with other Standards and the Conceptual Framework (see paragraphs 6, BC11 and BC49).*

Do you agree that adoption of the [draft] interim Standard should be optional for entities within its scope? If not, why not?

We agree with the options included in the Standard. Options remove barriers to first-time adoption and allow entities to determine the best comparability of financial results across fiscal years as well as across companies.

Question 4

The Exposure Draft proposes to permit an entity within its scope to continue to apply its previous GAAP accounting policies for the recognition, measurement and impairment of regulatory deferral account balances. An entity that has rate-regulated activities but does not, immediately prior to the application of this [draft] interim Standard, recognise regulatory deferral account balances shall not start to do so (see paragraphs 14–15 and BC47–BC48).

Do you agree that entities that currently do not recognise regulatory deferral account balances should not be permitted to start to do so? If not, why not?

We agree that entities that currently do not recognise regulatory deferral balances should not start to do so. This is consistent with the objective of allowing entities to avoid making major changes in accounting policy on transition to IFRS until final guidance can be developed through the comprehensive project.

Question 5

The Exposure Draft proposes that, in the absence of any specific exemption or exception contained within the [draft] interim Standard, other Standards shall apply to regulatory deferral account balances in the same way as they apply to assets and liabilities that are recognised in accordance with other Standards (see paragraphs 16–17, Appendix B and paragraph BC51).

Is the approach to the general application of other Standards to the regulatory deferral account balances appropriate? Why or why not?

Yes, the approach to the general application of other Standards is appropriate.

Question 6
The Exposure Draft proposes that an entity should apply the requirements of all other Standards before applying the requirements of this [draft] interim Standard. In addition, the Exposure Draft proposes that the incremental amounts that are recognised as regulatory deferral account balances and movements in those balances should then be isolated by presenting them separately from the assets, liabilities, income and expenses that are recognised in accordance with other Standards (see paragraphs 6,18–21 and BC55–BC62).

Is this separate presentation approach appropriate? Why or why not?

We think that presenting regulatory deferral balances separately from assets, liabilities, income and expenses recognized in accordance with other standards is appropriate. The proposed presentation is consistent with the interim nature of this standard and allows for the best comparability between for all entities for all other items on the balance sheet and statement of comprehensive income as well as comparability of financial results for entities with regulatory deferral accounts.

Question 7
The Exposure Draft proposes disclosure requirements to enable users of financial statements to understand the nature and financial effects of rate regulation on the entity's activities and to identify and explain the amounts of the regulatory deferral account balances that are recognized in the financial statements (see paragraphs 22–33 and BC65).

Do the proposed disclosure requirements provide decision-useful information? Why or why not? Please identify any disclosure requirements that you think should be removed from, or added to, the [draft] interim Standard.

We agree that the proposed requirements provide decision-useful information to users as well as in comparing regulatory deferral accounts across utilities and comparing financial statement information in general across companies. No requirements should be removed or added to the proposed interim Standard.

Question 8
The Exposure Draft explicitly refers to materiality and other factors that an entity should consider when deciding how to meet the proposed disclosure requirements (see paragraphs 22–24 and BC63–BC64).

Is this approach appropriate? Why or why not?

We agree that this approach is appropriate in determining what should be disclosed in relation to regulatory deferral accounts. Given the differences that can exist in the complexity of regulatory deferral accounts and corporate structures, using professional judgement to assess materiality and the other factors listed in paragraphs 22–24 and BC63–BC64 will assist financial statement preparers in providing the best information to financial statement users.

Question 9
The Exposure Draft does not propose any specific transition requirements because it will initially be applied at the same time as IFRS 1, which sets out the transition requirements and relief available.

Is the transition approach appropriate? Why or why not?

We agree that the transition approach is appropriate.

Question 10
Do you have any other comments on the proposals in the Exposure Draft?

We have no additional comments on the proposals in the Exposure Draft.