ALTALINK

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August 1, 2013

Attention: Mr. Hans Hoogervorst
Chair, International Accounting Standards Board
30 Cannon Street
London EC4M6XH
United Kingdom

Dear Mr. Hoogervorst:

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

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

We are pleased to respond to the International Accounting Standards Board's (the IASB's) Exposure Draft *Regulatory Deferral Accounts* ('the Exposure Draft').

Overall, we support the proposals contained in the Exposure Draft for regulatory deferral accounts. We agree that they meet the IASB's objectives, as stated in the proposed standard. Firstly, the proposals will enhance the comparability of financial reporting by reducing barriers to the adoption of IFRS by entities with rate-regulated activities until guidance is developed through the comprehensive Rate-Regulated Activities project. In addition, they will enable users of financial statements to identify clearly the amounts and impact of regulatory deferral accounts. Attached are our detailed responses to the questions in the invitation to comment.

AltaLink L.P. ("AltaLink") is a regulated transmission utility in Alberta, Canada. AltaLink is regulated by the Alberta Utilities Commission (AUC) and is subject to regulations and rulings put in place by the AUC. As Canada's only stand-alone transmission company, AltaLink is responsible for the maintenance and operation of approximately 12,000 kilometres of transmission lines and 280 substations in Alberta. AltaLink owns more than half of Alberta's transmission grid and serves 85 per cent of its population. Additionally, AltaLink owns the Alberta portion of the interconnection to British Columbia used to import and export electricity, connecting Alberta to the power grid in the Pacific Northwest.

AltaLink currently prepares audited financial statements in accordance with Internal Financial Reporting Standards and its financial statements are consolidated in the audited consolidated financial statements of its owner, SNC-Lavalin Group Inc. SNC-Lavalin Group Inc.'s financial statements are also prepared in compliance with IFRS.

If you have any questions, or require any further information, with respect to our comments, please contact me at (403) 267-4407 or by email Richard.McCabe@altalink.ca.

Yours sincerely,

[original signed by Richard McCabe]

Richard McCabe, CA, MBA
Vice President, Controller
AltaLink Limited Partnership

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 recognise that the restriction to first-time adopters is consistent with the objective of removing barriers to first-time adoption. We support that objective even though the restriction results in us not qualifying to adopt the proposed interim standard. As comprehensive guidance has not yet been developed, it may be in the best interests of entities that have already made the transition to IFRS to continue with their current practices until guidance can be developed through the comprehensive project. Some people may take the view that this difference in practice may prohibit comparability across companies. However, we believe that the proposals will actually improve comparability. Canada's adoption of IFRS for publicly accountable enterprises, effective January 1, 2011, has led to a wide diversity of practice in terms of the accounting frameworks currently being used by rate-regulated entities. The non-recognition of regulatory assets and liabilities under IFRS has been a significant barrier to the adoption of IFRS by the majority of Canadian utilities. The proposed interim Standard will enable entities currently using Canadian GAAP to adopt IFRS without having to derecognise these regulatory deferrals. The proposed standard will thereby allow such 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. Canadian GAAP criteria have been modelled after the US GAAP criteria for entities with rate-regulated operations, thereby allowing regulated entities in Canada to recognise regulatory assets and liabilities. 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 Canadian rate-regulated utilities to adopt IFRS and continue to recognise these regulatory deferrals.

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. Providing options makes it more likely that rate-regulated utilities in Canada will choose to adopt the proposed interim standard and continue to recognise regulated assets and liabilities.

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. As the Standard is an interim one, it is in the best interests of users and entities to continue with current practices until final comprehensive guidance has been developed.

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. Other Standards should not be amended as a result of the implementation of the proposed interim Standard.

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 recognised in accordance with other standards is a reasonable compromise between the desire to have such balances recognised versus the opinion that such balances should not be recognised. The proposed presentation approach will highlight the impact of recognising such regulatory assets and liabilities. In our opinion, the inclusion of these balances in an entity's financial statements provides a better depiction of the economic reality arising from the operation of rate-regulated activities. Inclusion also enhances the qualitative characteristics of comparability.

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 recognised 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. 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 appropriate judgement, together with materiality, should be used when determining what should be disclosed in relation to regulatory deferral accounts.

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. The proposed interim Standard should be applied at the same time as the deemed cost option provided in IFRS 1.

Question 10

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

We note that the draft position of the European Financial Reporting Advisory Group (EFRAG) is that they do not support the Exposure Draft because "*it results in a lack of comparability between (a) entities that take advantage of the ED and (b) entities that already apply IFRS or do not wish to apply the ED; and it is not limited to facilitating first-time adoption but maintains previous accounting policies for an indefinite period.*"

The Board should be aware that, in Canada, comparability between entities did exist under pre-changeover Canadian GAAP. However, following Canada's transition to IFRS, there is divergence in practice among Canadian regulated entities. We believe the proposed interim Standard's presentation requirements will provide for comparability between entities for all other items on the balance sheet and statement of comprehensive income besides regulatory deferral accounts, as rate regulated balances will be required to be presented separately and will not be embedded in other items within the financial statements. Further, separate presentation of the regulatory deferral accounts themselves will allow users to compare between entities around the world, regardless of whether or not they recognise such accounts.