FORTIS

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The International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

(via online submission)

Dear Board Members;

Re: IFRS 1 Exposure Draft – Additional Exemptions for First-time Adopters

As indicated in previous correspondence, Fortis Inc. ("Fortis") is the largest investor-owned distribution utility company in Canada, serving approximately two million gas and electricity customers. Its rate-regulated operations include a natural gas distribution utility in British Columbia, Canada and electric distribution utilities in five Canadian provinces and three Caribbean countries. Certain of these operations have been in existence for several decades; and in at least one case in excess of 100 years. Accounting for property, plant and equipment retrospectively upon transition to IFRS would likely be impossible in many of these cases, and in all cases would far outweigh the benefit of determining retrospective adjustments.

Fortis fully appreciates the IASB's efforts to amend IFRS 1 in order to provide additional relief upon transition to IFRS for entities subject to rate regulation. This as well as other recent initiatives clearly demonstrate the IASB's desire to establish a set of high-quality standards that can be accepted and applied globally.

The comments that follow are limited to Question 3 of the Exposure Draft dealing with deemed cost for operations subject to rate regulation.

Detailed comment letters with respect to the proposed amendments to IFRS 1 have been submitted to the IASB by the Canadian Electricity Association ("CEA"), the Canadian Gas Association ("CGA") and the Canadian Energy Pipeline Association ("CEPA") (jointly) and by the Edison Electric Institute in the United States. Fortis supports and agrees with the comments put forth in these comment letters and respectfully requests their consideration.

Many of the comment letters submitted to date and posted on your project website, including a number from standards setters in various jurisdictions and international accounting firms, support the provision of additional exemptions for entities subject to rate regulation. Many of these comment letters also express concern with the conditions attached to the proposed exemption related to "impracticability", for example, and the requirement to test for impairment on an item by item basis. The CEA/CGA/CEPA joint comment letter and the EEI comment letter identify these same concerns.

The CEA/CGA/CEPA joint letter also makes reference to other categories of assets such as intangibles where the transitional issues applicable to property, plant and equipment also apply. This is clearly the case in Canada where intangible assets such as computer software, for example, have traditionally been reported as property, plant and equipment; but will be reported under Canadian GAAP as intangible assets effective January 1, 2009. Extending the exemption to include other categories of assets such as intangibles would justifiably provide the same relief as contemplated for property, plant and equipment.

Comment letters received that do not support the provision of additional relief for entities subject to rate regulation state reasons which, in our opinion, do not reflect the IASB's goal and do not reflect the true purpose by which several countries are endeavoring to convert to and promote a high-quality set of universal standards. Suggesting that improvements should not be introduced on the premise that countries already on IFRS were not provided with the relief being sought, that they are unnecessary or that comparability will be an issue are ill-founded and contrary to the ultimate goal. Jurisdictions adopting IFRS in the near future will encounter significant challenges if transitional relief is not provided. In the case of entities subject to rate regulation, this was clearly articulated in a joint CEA/CGA/CEPA letter to the IASB dated April 30, 2008.

We thank the IASB for providing the opportunity to comment on the proposed IFRS 1 amendments and await the final outcome of your deliberations. As indicated in the joint CEA/CGA/CEPA comment letter, companies preparing for a January 1, 2010 transition date would benefit from having these additional IFRS 1 exemptions finalized as expeditiously as possible in order to effectively plan and prepare for transition in the remaining months leading up to that date.

Yours truly,

Vice President, Finance and
Chief Financial Officer
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