

Enbridge Inc.
3000 Fifth Avenue Place
425 – 1st Street S.W.
Calgary, AB T2P 3L8
Canada
www.enbridge.com

January 22, 2008

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

Dear Members of the International Accounting Standards Board:

**IASB Exposure Draft - Additional Exemptions for First-time Adopters:
Proposed Amendments to IFRS 1**

Enbridge is pleased to have the opportunity to respond to the exposure draft “Additional Exemptions for First-time Adopters”. Enbridge is a leading North American energy delivery company transitioning to IFRS in 2011. As a company subject to rate regulation in various jurisdictions, Enbridge is encouraged by the effort of the IASB to offer relief with this exposure draft.

Enbridge supports the Board’s decision to develop a standard that will address rate regulated activities. The Company agrees with the suggested timetable and offers to assist the Board in its deliberations in any way possible.

We have provided our responses to the IASB exposure draft questions that are relevant to Enbridge.

Question 3 – Deemed cost for operations subject to rate regulation

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

Enbridge strongly agrees with the inclusion of an exemption to allow entities with rate regulated operations relief from retrospective restatement, under IFRS, of regulated assets. The Company’s rate regulated assets are self-constructed, long-lived assets and the ability to retrospectively restate from inception would be impracticable.

However, Enbridge is concerned about the wording in the exemption for rate regulated operations in a number of instances as explained below.

The wording in the preamble to Question 3, the standard paragraph 19B and paragraph BC10 in the Basis for Conclusions may be perceived as inconsistent. The preamble and BC10 imply that in order to use the exemption, both the retrospective restatement of property, plant and equipment (PPE) and the fair value option must be determined to be impracticable. However, the exemption in paragraph 19B only requires an entity with rate regulated operations to demonstrate that it is impractical to meet the requirements of IFRS 1. In IFRS 1 the requirement for first-time adopters is to perform retrospective restatement of PPE under IAS 16. The fair value option is an election

that may be used by a first-time adopter and is not a requirement of IFRS 1. By referring to the “requirements” of IFRS 1, paragraph 19B applies only to the retrospective restatement method of transitioning PPE to IFRS. We are therefore concerned that the preamble and paragraph BC10 may be incorrectly perceived as adding the additional step of determining whether the use of the fair value option is impracticable before an entity with rate regulated operations could use the exemption. We are also concerned that the preamble and paragraph BC10 may be incorrectly interpreted to mean that an entity with rate regulated operations that cannot retrospectively restate its balances but can determine their fair value is forced to use the fair value option and is precluded from using the exemption.

We also note that first time adopters using full cost accounting for oil and gas assets are not required to demonstrate that retrospective restatement is impracticable but rather may elect, at their option, to use the exemption provided in the exposure draft. We believe that the difficulty in obtaining historical information and the cost of developing opening balances from available information would be as onerous for rate regulated operations as for full cost accounting oil and gas entities. Therefore, we believe that entities with rate regulated operations should be allowed the option to use the exemption without having to demonstrate impracticability, similar to entities using full cost accounting.

In addition, the requirement to perform an impairment test for each item for which the exemption is used is an additional potentially significant cost to applying the exemption. According to current IFRS 1, IAS 36 must be applied to an entity’s assets on first-time adoption. IAS 36 requires impairment testing to be performed when indicators suggest there may be an impairment loss. The requirement in the exemption to perform the actual impairment test on all items exempted would require additional cost, time and effort if there are no indicators of impairment present. Therefore, we recommend that the test per exempted item be removed from the exemption as this test will be performed at transition if impairment indicators exist.

Finally, we are concerned that the definition of operations subject to rate regulation in paragraph 19B may be interpreted too narrowly. Rate regulation is applied in many forms across North America and may include incentives that encourage rate regulated operations to improve efficiency. A rate regulated entity may have the opportunity to realize a return greater than the predetermined return on investment if efficiency targets are met. To avoid confusion, we suggest that the words “and allow the entity to earn a determined return on investment” be deleted.

Question 4 – Leases

Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

Yes, Enbridge agrees with the spirit of the proposal and believes that it is appropriate and helpful to allow first time adopters who are already complying with the method of accounting set out in IFRIC 4 to use the determination in accordance with the previously applied GAAP standard.

However, the exemption may be interpreted too restrictively given the requirement that the transitional provisions be identical to those of IFRIC 4. The Canadian Emerging Issues Committee’s Abstract of Issues Discussed, EIC 150, *Determining Whether an Arrangement Contains a Lease*, has the identical elements required to determine whether an arrangement contains a lease as IFRIC 4. The two interpretations use almost identical words (minor differences only) that provide equivalent guidance. Notwithstanding, the transitional provisions of the two interpretations are different. EIC 150 was applied **prospectively** after the beginning of an entity’s next reporting period after the issue date, December 9, 2004. IFRIC 4 was effective for annual

periods beginning on or after January 1, 2006. However, IFRIC 4 was to be applied **retrospectively**.

Since the proposed exemption requires that the previous GAAP transitional provisions be identical to IFRIC 4, Canadian entities cannot use this proposed exemption. As a result, all contracts and arrangements still in force at the transition date that came into existence prior to adoption of EIC 150 will need to be assessed. In addition, Enbridge will have to reassess all contracts and arrangements still in force at the transition date that came into existence after January 1, 2005 previously assessed under EIC 150.

We recommend removing the requirement in the exemption to require identical transitional provisions to allow Canadian companies relief from redoing assessments that are substantially IFRS compliant on contracts and arrangements entered into for the period from adoption of EIC 150 to the transition date. Additionally, we believe the transition of entities to IFRS could be further facilitated if the IASB was to allow entities to retain on transition to IFRS, accounting for arrangements that were grandfathered under previous GAAP, even if previous GAAP during the grandfathered period was not identical to IFRIC 4.

Enbridge is appreciative of the opportunity to respond to the Additional Exemptions for First-time Adopters exposure draft and trusts that our comments will be taken into consideration. As part of the industry of rate regulated companies, we also support the joint comment letter issued by the Canadian Energy Pipeline Association, Canadian Gas Association and Canadian Electricity Association on this exposure draft. If there are questions or further clarification required, or if we can be of any assistance in the Board's ongoing assessment of accounting for operations subject to rate regulation, please contact Karen Silvester at karen.silvester@enbridge.com or Angela Bargaen at angela.bargaen@enbridge.com.

Sincerely,

"signed"

Richard Bird
Executive Vice President
Chief Financial Officer
& Corporate Development

Cc. Mr. Peter Martin, Canadian Accounting Standards Board