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September 4, 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Via eIFRS webpage

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

Dear Sir or Madam,

We are writing in response to your invitation to comment on the Regulatory Deferral Accounts Exposure Draft ED/2013/5.

We fully support issuance of the Interim Standard as exposed. The Interim Standard removes a significant barrier to adoption of IFRS for our Company. We note that the potential lack of comparability between some entities on one particular set of accounts, which are segregated in the financial statements, is wholly outweighed by the lack of comparability between financial statements of companies on completely different bases of accounting. The Interim Standard meets its objective of removing barriers to adoption of IFRS, and so we strongly believe that the Interim Standard be issued. We commend the IASB for taking this significant step forward.

ENMAX Corporation (ENMAX) is an energy generation, distribution, supply and service company, with consolidated assets of approximately \$4.8 billion as at December 31, 2012 and consolidated revenues of approximately \$3.2 billion for the year then ended. We're a wholly owned subsidiary of The City of Calgary, headquartered in Calgary, Canada. ENMAX operates and competes in Alberta's restructured electricity industry. ENMAX Power Corporation, a subsidiary of ENMAX Corporation, and its predecessors have provided Albertans with safe and reliable electricity for more than 100 years. One of the most reliable urban utilities in Canada, ENMAX Power owns, operates and maintains the distribution and much of the transmission network in and around Calgary, which are activities regulated by the Alberta Utilities Commission. ENMAX Power is also responsible for billing and retail services in Calgary and four other municipalities in Alberta, and is responsible for providing electricity to regulated rate option customers in Calgary. ENMAX also has subsidiaries that participate in Alberta's deregulated retail and power generation markets.

ENMAX Corporation is an active member of both the Canadian Electricity Association (CEA) and the Financial Executives International, and is fully supportive of the letters those bodies have issued.



ENMAX appreciates the opportunity to be involved in this process. Our responses to each of the questions are included in the appendix attached to this letter. If you have any questions please contact me at (403) 514-1649. Thank you again for the opportunity to provide responses to this Exposure Draft.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Litoski".

Melanie Litoski, CA
Vice-President, Finance & Controller

Appendix: ENMAX Corporation's responses to the questions raised in the Exposure Draft

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?

Response:

The scope restriction is appropriate given the objective of the Interim Standard, which is to remove barriers to adoption of IFRS by rate-regulated entities. Comparability between companies is enhanced by bringing the financial statements of more companies onto an IFRS basis. The potential lack of comparability between rate-regulated entities to whom the Interim Standard is available and those who have already adopted IFRS is mitigated by the separate presentation of regulatory deferral account balances, which will allow users to compare the financial statements of companies who adopt the Interim Standard with those of companies outside its scope.

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 authorized body (the rate regulator) restricts the price that the entity can charge its customers for the goods and 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?

Response:

The scope criteria for regulatory deferral accounts are appropriate, as they are sufficiently broad to capture the different regimes through which rate-regulation is enforced (both cost-of-service and incentive-based schemes).

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?

Response:

We agree with allowing adoption to be optional.

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?

Response:

We agree with this restriction.

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?

Response:

We believe this approach is appropriate. Given that this is an Interim Standard, we do not believe that other standards should be amended.

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 the 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 BC 55 – BC62).

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

Response:

We believe that this separate presentation approach is a good compromise that removes barriers to IFRS adoption, thereby enhancing comparability for most accounts, while providing users sufficient information to compare the financial statements of companies that have adopted the Interim Standard with those that have not.

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.

Response:

We believe that the proposed disclosure requirements provide decision-useful information to users, and are sufficient to allow users to understand the impact of rate-regulation on the business and financial statements of entities subject to it. No disclosure requirements should be added or removed.

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?

Response:

We believe that explicit reference to materiality is appropriate and will help combat the problem of "disclosure overload" that burdens preparers and overwhelms 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?

Response:

We believe that this approach has an unimpeachable logic.

Question 10:

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

Response:

This Interim Standard represents a significant step forward for Canadian entities subject to rate regulation. It is a practical compromise which will remove a significant barrier to the adoption of IFRS by rate-regulated entities. We believe that the Interim Standard achieves its objective, and so should be issued as is.