



September 3, 2013
Mr. Hans Hoogervorst
Chairman, International Accounting Standards Board
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United Kingdom

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Dear Mr. Hoogervorst:

TransCanada Corporation (TransCanada) is pleased to submit its comments in response to the Exposure Draft ED/2013/5 "Regulatory Deferral Accounts". Specific responses to the Exposure Draft are provided in the attached Appendix 1.

TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada's network of wholly owned natural gas pipelines extends more than 60,000 kilometres (37,000 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 380 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, or has interests in over 10,800 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America's largest oil delivery systems.

TransCanada is pleased that the IASB has recently decided to restart the standards level project for the Rate-Regulated Activities with the development of a discussion paper. TransCanada strongly supports initiatives taken to address the accounting for rate-regulated activities. TransCanada supports the development of an interim standard as a key first step in providing a solution within IFRS in the near term. However, TransCanada believes certain clarifications are required to ensure the detailed application matches the intent of the interim standard. Those clarifications are listed below:

1. While we support the draft Standard, we believe the Board should clarify one aspect with respect to their intent and scope of the draft Standard. Specifically, we are unsure whether the Board believes this draft Standard should apply to initial IFRS adopters who qualified for rate-regulated accounting under previous GAAP but did not have regulatory deferral balances at the time of IFRS adoption. Our recommendation is that a clarification is made to ensure the draft Standard applies to those entities. We believe the Board's holistic intent is to capture those entities which previously applied rate regulated accounting under previous GAAP and this recommendation would ensure that intention was clear.

2. We believe that clarification should be made with respect to the scope criteria. Specifically, we are concerned that previous GAAP often includes scope restrictions for its application. Without mirroring these scope restrictions in IFRS there may be scenarios where an entity cannot apply previous GAAP even though it has met the application criteria thus causing further diversity in practice. Our recommendation is that the scope criteria be modified such that if an entity qualified for application of rate-regulated accounting under previous GAAP, it should continue to do so.

TransCanada hopes these comments will be useful to the Board in their deliberations. If you have any questions or would like to discuss any of these matters, please do not hesitate to contact us.

Yours very truly,



G. Glenn Menuz, C.A.
TransCanada Corporation
Vice-President and Controller

Appendix 1

TransCanada's responses to selected questions raised in the Exposure Draft are set out below.

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 believe that the scope criteria are appropriate; however, we believe that clarification should be made with respect to criterion (a). We are unsure if the Board intended to match this criterion with the first scope condition in Accounting Standards Codification Topic 980 *Regulated Operations*. If so, we would suggest simply duplicating that wording in the proposed standard.

We are also concerned that "previous GAAP" often includes scope restrictions for its application. Without mirroring these scope restrictions in IFRS there may be scenarios where an entity cannot apply "previous GAAP" even though it has met those application criteria. This would cause further diversity in practice.

We suggest that the Board modify the restriction to allow entities which qualify for rate-regulated accounting under previous GAAP to adopt those accounting policies upon initial IFRS adoption.

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, recognize 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 believe that entities that currently do not recognize regulatory deferral accounts should be permitted to start to do so. We understand that the interim standard has been proposed to be a practical and short-term solution to address a significant barrier to the adoption of IFRS in some jurisdictions. However, we believe that this restriction could result in a consolidated entity not having uniform accounting policies for like transactions.

For example, consider a consolidated entity with numerous subsidiaries which qualify for rate-regulated accounting under previous GAAP. It is quite possible that certain of those subsidiaries may have regulatory deferral account balances while others may not. After initial IFRS adoption, the subsidiary with deferral account balances would continue to recognize the

effects of rate-regulation under local GAAP while the subsidiary without deferral account balances would not recognize those same effects of rate-regulation. This would cause inconsistency in accounting policies within a consolidated group and would violate IAS 27 which requires uniform accounting policies to be used for like transactions.

As discussed in our response to Question 2, we suggest that the Board modify the restriction to allow entities which qualify for rate-regulated accounting under previous GAAP to adopt those accounting policies upon initial IFRS adoption.