

January 19, 2009

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

Dear Sir or Madam:

AltaGas Utilities Inc. ("AUI") is pleased to submit comments concerning the Exposure Draft issued by the International Accounting Standards Board on September 25, 2008 titled "Additional Exemptions for First-Time Adopters – Proposed Amendments to IFRS 1".

AUI is a rate-regulated natural gas distribution utility serving over 67,000 residential, rural, commercial and industrial customers in over 90 communities throughout Alberta, Canada. AUI is incorporated under the laws of Canada and is a wholly-owned subsidiary of AltaGas Utility Group Inc. which is a publicly traded corporation listed on the Toronto Stock Exchange (TSX:AUI).

Conversion to IFRS based on currently published standards would cause the Canadian utilities industry to incur a very expensive and potentially impossible process of recreating detailed historic records as at the transition date because of unavailable or unverifiable documentation of past transactions relating to property, plant and equipment. AUI alone has property, plant and equipment assets that have in some cases been in service for more than 60 years. The cost of recreating the historical records for property, plant and equipment as well as intangible assets to comply with current IFRS requirements would provide little or no economic benefit for our customers, regulators, investors, creditors or employees.

AUI strongly supports the IASB proposal to provide transitional relief under IFRS 1 for entities with operations subject to rate regulation. However, as described in our detailed responses to the questions posed in the Exposure Draft, we believe that portions of the proposed wording create some confusion and are not practical in nature for many rate regulated entities. In addition, we request that additional focus be placed on balancing the cost and effort associated with total compliance on adoption of IFRS with the benefits of such presentation to users of the financial statements when the IASB refines the wording of the proposed amendments.

AUI would like to thank the IASB for its consideration of our comments and we commend the efforts of the IASB to address the concerns of our industry.

Sincerely,

Andrew Baboneau

Andrew Baboneau, CA
Supervisor, Financial Control
AltaGas Utilities Inc.

Attachment

Q1 – Deemed cost for oil and gas assets

Do you agree with the proposed deemed cost options for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

No comment.

Q2 – Oil and gas assets – disclosure

Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

No comment.

Q3 – 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?

AUI supports the proposed amendment subject to the following comments.

A. Balancing of costs versus benefits of total compliance with IFRS 1

The requirement for rate regulated entities to demonstrate the impracticability of both retroactive restatement and fair value as deemed cost in order to utilize the carrying amount of items of property, plant and equipment and intangible assets at the date of transition to IFRSs appears to be inconsistent with the Board's conclusions regarding balancing the cost and effort of total compliance against the objective of providing a suitable starting point for accounting under IFRS as outlined the Basis of Conclusions. Based on the definition of impracticability outlined in IAS 8, it appears that it will be a particularly burdensome threshold for rate-regulated entities to meet due to the high potential cost and effort involved. None of the other elections within IFRS 1 require an entity to demonstrate impracticability in order to be applied, which raises further concerns as to how the impracticability of retroactively restating or determining the fair value of property, plant and equipment and intangible assets can be demonstrated on a practical basis.

Therefore, we request that the IASB consider removing the concept of impracticability from this election in order to provide a more workable balance between the cost and effort associated with determining the opening balances at the date of transition and providing a suitable starting point for accounting under IFRS.

B. Testing for impairment

There is an inconsistency between the requirements of IAS 36 and paragraph 19B of the proposed amendments that state that "an entity shall test each item for which this exemption is used for impairment in accordance with IAS 36, and if necessary, reduce the carrying amount." The term "item" is not formally defined within IFRS, however in the context of the proposed amendments, it appears to be at a much greater detail below that of a cash-generating unit or individual asset at outlined in IAS 36 for the basis on which to conduct an impairment test. Therefore, it can be inferred that "the requirement to test each item for which the proposed exemption is used for impairment at the date of transition" will be significantly more extensive and detailed than the provisions within IAS 36 that require an entity to assess at the end of each reporting period whether there are any indications that a cash-generating unit or individual asset may be impaired.

At a practical level, the application of impairment testing as per the provisions of IAS 36 on an item by item basis would be immensely costly and arduous, if not outright impossible to complete. The data required to consider the presence of any impairment indicators on an item by item basis would be unavailable in virtually all instances without assessing them on a combined basis with the underlying asset or cash-generating unit to which they belong.

We believe that a straightforward proposal involves removing the requirement to test each item for impairment and instead reinforce that an entity is already required to apply the provisions of IAS 36 at the date of transition to IFRSs to review its cash-generating units and assets for indicators of impairment and where applicable estimate the recoverable amount of the cash-generating unit or asset.

C. Expand deemed cost option to include intangible assets

The scope of the proposed deemed cost option for entities with operations subject to rate regulation currently only applies to items of property, plant and equipment. Several rate-regulated entities have capitalized amounts such as land rights or franchise consents classified as intangible assets that may include certain costs that were in accordance with previous national GAAP, but do not qualify for capitalization under IFRSs. As with certain items of property, plant and equipment, the restatement of these intangible assets “would require historical information that, given the typical age of some of the assets involved, is probably no longer available and would be difficult to estimate.”

Therefore, we request that the IASB consider amending the wording of the proposed deemed cost option so that it can be expanded to include other categories of assets such as intangible assets.

Q4 – 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?

No comment.

Q5 – Assessments under previous GAAP before the date of transition to IFRSs

Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

No comment.