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VIA EMAIL and COURIER

October 29, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Board File No.: EB-2008-0104
Consultation for the Transition of Regulatory Accounting to International Financial Reporting Standards

Further to the Board's Transition Project Work Plan circulated October 7th requesting written comments, please find enclosed Enbridge Gas Distribution's submission.

This submission has been submitted through the Board's RESS. Two paper copies are being forwarded to the Board via courier.

Sincerely,

L Chiasson

Lorraine Chiasson
Regulatory Coordinator

Encl

cc: Fred Cass, Aird & Berlis (via email)
David Stevens, Aird & Berlis (via email)

EB-2008-0104

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Sched. B)

AND IN THE MATTER OF the Ontario Energy Board's International Financial Reporting Standards Consultation

SUBMISSIONS OF ENBRIDGE GAS DISTRIBUTION INC.

1. Enbridge Gas Distribution Inc. ("EGD") is providing its comments in response to the consultation initiated by the Ontario Energy Board (the "OEB" or the "Board") in respect of International Financial Reporting Standards, which the Company and most OEB rate regulated entities are likely to adopt to their financial reporting beginning 2011.

2. On May 8, 2008, the Board issued a letter to rate regulated entities inviting their participation in a "Transition of Regulatory Accounting to IFRS" consultation. The purpose of the consultative was to have Board Staff work with interested parties in relation to the issues associated with and being created by the IFRS requirement.

3. A stated key objective was to allow Board Staff to develop an IFRS Transition Project Work Plan (the "Plan") to amend regulatory instruments affected by the transition to IFRS which was intended to be presented by Board Staff to the Board for approval by October 31, 2008. This approval timeline has since been revised to an intended date of November 12, 2008.

4. In an effort to achieve this objective, Board Staff held three meetings with interested industry participants on August 22nd, September 16th, and October 16th, 2008. The October 16th meeting provided participants an opportunity to comment verbally on a draft Transition Project Work Plan which was circulated on October 7th, with written comments due originally by October 24th, subsequently revised to a due date of October 29th.

COMMENTS ON DRAFT PLAN RELEASED ON OCTOBER 7, 2008

General Comments

5. ***Overall Plan:*** The Draft Plan appears to be general in nature and covers only the high level issues and timelines which Board Staff anticipates will be faced by rate regulated entities and the Board. While the Draft Plan and previous mock financial statement comparisons recognize that there are considerable financial reporting differences which will arise upon transition to IFRS, the Draft Plan does not provide any specific comments or detailed proposals in relation to treatment of accounting differences between IFRS and current Canadian GAAP/GARP, and the Board's treatment of such impacts within the context of rates determination and ratepayer impacts. It is our expectation that the written consultation, which will be held later this year, will address more specifics on the proposed treatment of various issues.

6. ***Key Impacts from IFRS:*** The Draft Plan recognizes some key impacts to rate regulated entities on adoption to IFRS which include regulatory assets and liabilities and property, plant, and equipment ("PPE") (sections 1.2 to 1.5). However, EGD notes that more specific IFRS impacts were not listed in the Draft Plan, and proposes that specific elements need to be discussed by the Board in its written consultation later this year. Such specific impacts include, but are not limited to the following:

- PPE - Capitalization of administration and general ("A&G") overhead expenses
- PPE - Capitalization of interest costs
- PPE - Decommissioning costs
- PPE - Recognition and derecognition
- Inventory - valuation

It is crucial that the impacts of the above, and any other significant impacts to rate regulated entities from adoption to IFRS, are recognized and considered by the Board in making decisions on the treatment of these items from a rate making perspective.

7. ***Impacts on Undertakings:*** The Draft Plan did not address any impacts that potential changes in the regulatory requirements will have on the undertakings which Enbridge is bound by. It is recommended that the Board consider the impacts on the undertakings in making decisions on amending any regulatory requirements.

8. ***Further Comments:*** Given the general nature of the issues included in this Draft Plan, EGD submits that all rate regulated entities and all interested stakeholders should have a reserved right / opportunity to provide further comments once the Board staff and the Board provide more specific proposals on regulatory accounts and other proposals in relation to the adoption of IFRS.

9. ***Timeline:*** EGD is generally in agreement with the milestones outlined in the Draft Plan in order to meet a ready state for IFRS reporting commencing in 2011. However, with regards to the written consultation scheduled in the fall of 2008, as indicated in Section 4.1 of the Plan, EGD seeks clarification of the timelines and intent of that process. If the intent of that process is to allow participants to review and comment on Board Staff's detailed proposals on regulated accounts and other IFRS impacts, EGD believes that the timelines for comments and discussion on such detailed issues and financial consequences with a Board decision by January 31, 2009 appear rather aggressive. EGD suggests a postponement of the timeline for discussion, comments and Board approval from January 31, 2009 to March 31, 2009. The rationale is to provide sufficient time for entities to review and consider longer term implications of the OEB's proposals. This recommended postponement is further supported by the time constraints expected to be faced by the majority of entities to fulfill financial reporting deadlines and manage ongoing rate and Board proceeding related matters.

10. ***IASB and IFRIC Decisions:*** Board staff has acknowledged that the accounting issues, the treatment of which are proposed by Board Staff to be decided upon by the Board by January 31, 2009, will likely be influenced by further IASB or IFRIC guidance subsequent to Board decisions. EGD would like to seek further clarification on the approach that the Board will likely take in order to make decisions on the elements in the Plan by January 2009, in light of the pending decisions by the IASB or IFRIC on exemptions that will likely remain outstanding at that time.

Resourcing and Cost Recoverability: EGD recommends that the Board considers the aspect of incremental costs and resources required by entities to implement changes to fulfill IFRS reporting standards and maintain/modify ongoing regulatory reporting, and to ensure that there is a mechanism for ***recovery*** by entities for such costs.

Detailed Comments:

11. ***Degree of convergence to IFRS:*** EGD understands the view that complete convergence of regulatory accounting to IFRS standards may not be entirely possible (an example being gas commodity valuation due to price volatility). Given this view of infeasibility of full convergence to IFRS, EGD proposes that the Board apply the most pragmatic approach possible in considering convergence of regulatory accounting to IFRS. This could involve aligning the items that have largely less significant impacts to ratemaking (such as capitalized interest costs, some deferral accounts, etc.), and leaving the more material differences (such as A&G overhead expenses and material regulatory accounts) with their current regulatory definitions and treatment. This would somewhat limit the incremental resources and effort required to maintain regulatory and IFRS accounting records. This approach would also be appropriate from the perspective of minimizing rate-making impacts to ratepayers resulting from the transition to IFRS.

12. ***Rate-making and Rate-recovery*:** EGD highly stresses that any regulatory processes and definition changes approved by the Board must ultimately leave the rate regulated entities ***unharmed*** from a financial perspective. As previously mentioned, it is recommended that the Board considers the aspect of incremental costs and resources required by entities to implement changes to fulfill IFRS reporting standards and maintain, modify and obtain audit assurance of ongoing regulatory reporting, and ensure that there is a mechanism for ***recovery*** by entities for such costs. It is also recommended that the Board consider any impacts to entities' earnings resulting from accounting changes as a result of convergence or partial convergence of regulatory accounting to IFRS. EGD proposes that any mechanisms that the Board implements for rate regulated entities should ensure the recovery of the above-mentioned financial impacts and be sufficiently broad in scope to permit any required future recovery.

13. ***Audit Requirements (Section 2.3)*:** EGD believes that sufficient assurance to company stakeholders and regulatory users would be provided by an audit of the IFRS financial statements and a separate audit of the regulatory financial statements. EGD submits that the availability of an audit opinion for the regulatory set of financial statements should circumvent the need for a reconciliation between the two sets of books.

14. ***EGD's position on specific questions from the Plan:***

- Section 1.1.1 - EGD agrees that the Board should require entities to continue to report information to the Board using Canadian GAAP up until December 31, 2010.

- Section 1.1.2 – EGD is of the view that the Board should require entities to report information to the Board, beginning January 1, 2011, using a consistent regulatory framework as prior to IFRS adoption, subject to any amendments resulting from this consultative process.

- Section 1.2.1 – EGD agrees that the Board should continue deferral and variance accounts to achieve regulatory objectives, given this would be an approach that would minimize the impact to ratepayers and entities.

- Section 1.2.2 - EGD is in favour of the Board making any and all modifications in definitions to regulatory deferral and variance accounts which are established with the intent of achieving the regulatory objectives as mentioned in section 1.2.1. Properly structured definitions should specifically state the Board's intended use of such accounts for that purpose and should enhance the certainty of the clearance of current and ongoing accounts, thus providing a strong basis for developing arguments for recognition of regulatory assets.

- Section 1.3.1 – EGD agrees that the Board should require historical cost or NBV to be used at the date of adoption to IFRS for regulatory purposes, to minimize impacts to ratepayers and rate-regulated entities.

- Section 1.4.1 – EGD agrees that the Board should require historical cost or NBV values to continue to be used for regulatory purposes on an ongoing basis, to minimize impacts to rate-regulated entities and the ratepayers.

- Section 1.5.1 – On a theoretical level, EGD believes that it would be beneficial for the Board to provide further guidance on depreciation policies and principles, to maximize alignment with the standards under IFRS. However, further financial analysis would need to be conducted at each of the entities to assess the impacts to rate-making. To the extent that there would not be adverse financial consequences to rate regulated entities and ratepayers, it would be a pragmatic approach to align depreciation policies to IFRS, so as to minimize the level of onerous procedures required to maintain two detail sets of depreciation transactions on an ongoing basis. However, if the Board decides to continue the existing pool method of depreciation for rate making purposes, which is significantly different from IFRS standards, then further guidance on depreciation policies and procedures would provide limited incremental benefits.

- Section 1.5.2 – EGD believes that it would be useful for the Board to encourage conducting depreciation studies every few years, to assess useful lives and depreciation rates for capital assets. This is assuming that the costs of such studies would be incorporated in applicable deferral accounts for cost recovery by the entities. This information would be useful for depreciation rate assessments under IFRS and for rate-making. However, given that each entity is unique in their assets, EGD believes that depreciation studies may not benefit from sector-wide uniformly consistent studies. In addition, considerations must be given to potential impacts to financial statements as a result of depreciation studies.

15. EGD looks forward to reviewing the submissions of other stakeholders and reserves the right to comment on such submissions in the context of any proposal document to be submitted to the Board.

Date: October 29, 2008