



The Yukon Electrical Company Limited
An ATCO Company

March 31, 2010

Ms. Sheena Smart
Executive Secretary
Yukon Utilities Board
P.O. Box 31728
Whitehorse, Yukon
Y1A 6L3

Dear Ms. Smart:


RE: Annual Filings – The Yukon Electrical Company Limited

In accordance with Section 25 and 84 of the Public Utilities Act, attached please find the following information:

- a) 2009 audited Financial Statements (*to be filed by the end of the 2nd quarter*)
- b) Utility Income and Rate of Return
- c) Computation of Net Rate Base
- d) Schedule of Allowance for Working Capital
- e) Reconciliation of Utility Income to Net Earnings
- f) Analysis of Depreciation Reserve
- g) Cost of Debt Capital Employed
- h) Property, Plant and Equipment
- i) List of Officers and Directors
- j) Signed Affidavit (signed copy forthcoming)
- k) Summary on IFRS; Rule 26 as issued by the Alberta Utilities Commission (AUC) regarding IFRS summary pertaining to the implementation of Regulatory Account Procedures.

Yours truly,

THE YUKON ELECTRICAL COMPANY LIMITED
An ATCO Company


Jerome Babyn,
General Manager

Encl.

THE YUKON ELECTRICAL COMPANY LIMITED
UTILITY INCOME AND RATE OF RETURN
For The Year Ended December 31, 2009
(\$000s)

Revenue		44,472
Adjust:		
Non-Utility Revenue		<u>107</u>
UTILITY REVENUE		<u>44,365</u>
Operation and Maintenance		37,291
Less:		
Non Allowables		15
Non-Utility O&M		103
Non Utility Income Taxes		<u>15</u>
		133
Add:		
Depreciation		3,311
Other Taxes		240
Income Taxes		25
Amortization of Contribution for Extensions		(998)
Amortization of Deferred Costs		<u>438</u>
		3,016
UTILITY EXPENSE		<u>40,174</u>
UTILITY INCOME		<u>4,191</u>
NET RATE BASE		<u>49,083</u>
RATE OF RETURN		<u>8.54%</u>

THE YUKON ELECTRICAL COMPANY LIMITED
COMPUTATION OF NET RATE BASE
For The Year Ended December 31, 2009
(\$000s)

PROPERTY PLANT AND EQUIPMENT		
BALANCE AT DECEMBER 31, 2009		132,981
Add:	Deferred Study Costs	-
Less:	Accumulated Depreciation	59,806
	Non-regulated Assets	
	Construction Work-in-Progress	555
		<u>60,361</u>
NET BALANCE AT YEAR END		72,620
Add:	Previous Year's Balance	68,625
TOTAL		<u>141,245</u>
MID-YEAR BALANCE		70,623
Add:	Allowance for Working Capital	2,842
Less:	Mid-Year Contribution for Extensions	24,619
	Mid-year rate deferred charges/credits	237
		<u>49,083</u>
NET RATE BASE		<u>49,083</u>

THE YUKON ELECTRICAL COMPANY LIMITED
SCHEDULE OF ALLOWANCE FOR WORKING CAPITAL
For The Year Ended December 31, 2009
(\$000s)

Operating and maintenance	37,291
Add: Other Taxes	240
Less: Non-Allowables and Non-Utility O&M	133
Net O&M	<u>37,398</u>
O&M Lag Days	<u>5</u>
Operating Expenses Working Capital	<u>512</u>
Tax installments	250
Income Tax Installment Lag Days	22
Tax Installments Working Capital	<u>15</u>
Income taxes receivable (payable)	592
Tax Receivable Lag Days	204
Taxes Payable Working Capital	<u>331</u>
Inventory (Three year average)	<u>1,756</u>
GST Impact on working capital	<u>112</u>
Return - Long Term Debt	1,881
Combined Long Term Debt Lag Days	(52)
Long Term Debt Working Capital	<u>(268)</u>
Return - 50% of Common Equity	1,135
Dividend Lag Days	(4)
Common Equity (Dividend) Working Capital	<u>(12)</u>
Return - 50% of Common Equity	1,135
Depreciation Lag Days	42
Common Equity (Retained Earnings) Working Capital	<u>131</u>
Net Depreciation	2,313
Depreciation Lag Days	42
Depreciation Working Capital	<u>266</u>
TOTAL WORKING CAPITAL	<u>2,842</u>

THE YUKON ELECTRICAL COMPANY LIMITED
RECONCILIATION OF UTILITY INCOME TO NET EARNINGS
For The Year Ended December 31, 2009
(\$000s)

UTILITY INCOME	4,191
Add :Non Utility Income:	
Allowance for Funds Used During Construction	95
Non Regulated Revenues	107
	<hr/> 202
Sub-Total	4,393
Less: Non Utility Expenses:	
Interest to Parent	2,083
Short Term Interest To Parent	2
Non Regulated Expenses	103
Other Interest	(54)
Non Allowables	15
	<hr/> 2,244
Sub-Total	2,244
Add: Income Tax Adjustment:	
Tax on Net Non Utility Income	(15)
	<hr/> (15)
NET EARNINGS	<hr/> <u>2,229</u>

THE YUKON ELECTRICAL COMPANY LIMITED
ANALYSIS OF DEPRECIATION RESERVE
For The Year Ended December 31, 2009
(\$000s)

BALANCE - DECEMBER 31, 2008	56,612
Add: Depreciation - Operating Expense	3,311
Depreciation - Other	157
	<hr/> 60,080
Less: Retirements	274
Other	-
	<hr/> -
BALANCE - DECEMBER 31, 2009	<hr/> <hr/> 59,806

YUKON ELECTRICAL COMPANY LIMITED
COST OF CAPITAL CALCULATION
For The Year Ended December 31, 2009
 (%)

mid yr.	<u>CAPITAL RATIO</u>	<u>COST</u>	<u>RETURN COMPONENT</u>
27,650.0 LONG TERM DEBT	56.9	6.73	3.83
0.0 PREFERRED SHARES	-	-	-
19,865.5 COMMON SHARES AND RETAINED EARNINGS	40.9	11.50	4.71
<u>1,043.0</u> NO COST CAPITAL	2.2		
48,558.5	<u>100.0</u>		<u>8.54</u>

PROPERTY PLANT & EQUIPMENT - DECEMBER 31, 2009

Function	Minor Acc	Minor Description	Sub Cate	Subcategory Description	Jan 1/09	Additions	Adjusts/Transfers	Retirements	Dec 31/09
Corporate	48000	Land	48000	Land	316,624				316,624
	48200	Buildings and Structures	48100	Land Rights	19,148				19,148
	48200	Buildings and Structures	48200	Buildings and Structures	3,204,003	74,739	(1,454)		3,277,288
	48300	Office Furniture	48300	Office Furniture	192,602	858		(56,929)	136,531
	48320	Computer Equipment	48320	Computer Equipment	33,691	1,308		(23,287)	11,712
	48401	Vehicles Category 1	48410	Cars	27,109	27,473		(43,677)	54,582
	48401	Vehicles Category 1	48420	Light Trucks and Pole Trailers	278,046	2,404			236,773
	48401	Vehicles Category 1	48430	Pole Trailers > 10,000 lbs	110,613			(9,606)	101,007
	48401	Vehicles Category 1	48440	3/4 to 2 Ton Trucks	1,120,701	52,007		(54,946)	1,117,762
	48401	Vehicles Category 1	48450	Trucks > 2 Tons < 3 Tons	169,804	69,693			239,497
	48401	Vehicles Category 1	48460	Pole Cats	156,818				156,818
	48401	Vehicles Category 1	48470	Trucks > 3 Tons	410,564				410,564
	48401	Vehicles Category 1	48480	Tractors	23,722				23,722
	48500	Loose Tools	48500	Loose Tools	486,730	37,457	(68)	(18,467)	505,652
	48600	Communication Equipment	48600	Communication Equipment	548,186	47,209			595,395
	48820	Houses Land	48810	Houses Land	604				604
	48820	Houses	48820	Houses	460,729	1,364	3,275		465,368
	49100	Franchise and Consent	49100	Franchise and Consent	1,493				1,493
	49602	Software - ATCOCIS	49602	Software - NEWCIS(ATCOCIS)	1,514,218		20,358		1,534,576
	49605	Software - Oracle	49605	Software - Oracle	235,498				235,498
	49628	Software - Oracle HRXcellence	49628	Software - Oracle HRXcellence	0	254,970			254,970
Total for Corporate:					9,310,903	569,482	22,111	(206,912)	9,695,584
Distribution	47000	Land	47000	Land	23,373				23,373
	47100	Land Rights	47100	Land Rights	1,032,490	71,543	(110)		1,103,923
	47300	Poles and Fixtures	47300	Poles and Fixtures	24,302,015	1,249,158	78,225	(57,348)	25,572,050
	47400	Overhead Conductor	47400	Overhead Conductor	16,628,592	848,251	106,733	(388)	17,583,188
	47410	Overhead Services	47410	Overhead Services	2,530,427	128,915	1,664		2,661,006
	47500	Underground Conduit	47500	Underground Conduit	18,253,959	1,123,464	66,274		19,443,697
	47510	Underground Services	47510	Underground Services	2,642,456	39,189	74		2,681,719
	47610	Meters	47610	Meters	316,675				316,675
	47610	Meters	47620	Metering Equipment	858,271	11,876	(29)		870,118
	47630	AMR Meters	47612	AMR Meters	33,068	14,340	2,512		49,920
	47710	Distribution Substation	47710	Non-Fenced Distr Sub Equip	2,654,006				2,654,006
	47710	Distribution Substation	47720	Distr Substation Buildings	477,067				477,067
	47810	Street Lights	47810	Street Lights	7,868,543	491,770	56,955	(2,195)	8,415,073
	47820	Sentinel Lights	47820	Sentinel Lights	284,738				284,738
	47910	Transformers	47910	Line Transformers	18,633,642	1,758,595	132,508	(2,605)	20,522,140
	47910	Transformers	47910INV	Inventory Reclass Transformers	885,754		(80,341)		805,413
Total for Distribution:					97,425,076	5,737,101	364,465	(62,536)	103,464,106
Generation	42000	Hydro Land	42000	Hydro Land	119,025		(98,113)		20,912
	42500	Hydro Equipment	42200	Hydro Structures	259,412		(111,864)		147,548
	42500	Hydro Equipment	42300	Hydro Resv, Dams & Waterways	757,083	137,160	111,863		1,006,106
	42500	Hydro Equipment	42500	Hydro Generators	272,629	439,374			712,003
	42500	Hydro Equipment	42600	Hydro Accessory Electrical Equip	105,192				105,192
	42500	Hydro Equipment	42700	Hydro Misc Equip	23,984	44,673			68,657
	44000	Int Combust Land	44000	Int Combust Land	46,177		(39,047)		7,130
	44200	Int Combust Structures	44200	Int Combust Structures	1,588,551	16,145	309,196		1,913,892
	44400	Int Combust Fuel Holders	44400	Int Combust Fuel Holders	2,163,920	148,624			2,312,544
	44500	Int Combust Generators	44500	Int Combust Generators	8,762,872	31,655	(318,399)		8,476,128
	44600	Int Combust Access Elect Equip	44600	Int Combust Access Elect Equip	2,283,571	50,797	6,789		2,341,157
	44700	Int Combust Misc Equip	44700	Int Combust Misc Equip	709,512	94,654	(44,538)		759,628
Total for Generation:					17,091,928	963,082	(184,113)	0	17,870,897
	45000	Land	45000	Land	11,551				11,551
	45700	Transmission Substation	45710	Substation Misc Equip & Install	1,394,585			(10,164)	1,384,421
Total for Transmission:					1,406,135	0	0	(10,164)	1,395,971
Grand Total:					125,234,043	7,269,665	202,463	(279,612)	132,426,559

THE YUKON ELECTRICAL COMPANY LIMITED

100 - 1100 1ST Avenue, Whitehorse, YT, Y1A 3T4

DIRECTORS:

- Loraine M. Charlton
- James W. Simpson
- Nancy C. Southern
- Ronald D. Southern
- Brian R. Bale

OFFICERS:

- Nancy C. Southern Chariman of the Board & Chief Executive Officer
- Sett F. Policicchio President
- Dennis A. DeChamplain Vice President, Controller
- Patrica SpruinSecretary
- Carol GearAssistant Secretary

STATUTORY DECLARATION

IN THE MATTER OF A REPORT REQUIRED BY
SECTION 84 OF THE YUKON PUBLIC UTILITIES ACT
BY S.F. POLICICCHIO, PRESIDENT, AND P. SPRUIN,
CORPORATE SECRETARY,
OF
THE YUKON ELECTRICAL COMPANY LIMITED (the "Corporation")
(in thousands of dollars)

WE SOLEMNLY DECLARE THAT:

1. For 2009, the Net Rate Base for the Corporation was \$49,083.
2. As of December 31, 2009, the total capitalization of the Corporation was \$50,930 with a mid-year weighted average cost of 8.54%.
3. The revenues for the Corporation for the period from January 1, 2009 to December 31, 2009 were as follows:

Retail Sales	\$ 42,640
Sales to other Utilities	37
Other Revenue	<u>1,688</u>
TOTAL	<u>\$ 44,365</u>

4. The dividends paid by the Corporation for the period January 1, 2009 to December 31, 2009 were as follows:

Common Shares	<u>\$ 0</u>
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5. The operating and maintenance costs of the Corporation for the period from January 1, 2009 to December 31, 2009 were \$9,620.

6. The Corporation estimates the following costs for new works, extensions and improvements during the current year:

Distribution Projects	\$ 6,502
General Property & Equipment	797
Generating Plants	<u>1,789</u>
TOTAL	<u>\$ 9,163</u>

WE MAKE THIS SOLEMN DECLARATION CONSCIENTIOUSLY BELIEVING IT TO BE TRUE AND KNOWING THAT IT IS OF THE SAME FORCE AND EFFECT AS IF MADE UNDER OATH.

Severally declared before me)
at the City of Edmonton)
in the Province of Alberta)
this _____ day of _____, 2010.)

Sett F. Policicchio

Severally declared before me)
at the City of Calgary)
in the Province of Alberta)
this _____ day of _____, 2010.)

Patricia Spruin

Rule 026

Rule Regarding Regulatory Account Procedures Pertaining to the Implementation of the International Financial Reporting Standards

The Alberta Utilities Commission (AUC/Commission) has approved this rule on May 19, 2009.

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Definitions

- 1** In this rule,
- (a) “Existing Accounting Practice” means the accounting procedures and policies in use by a Utility, that have been approved by the Commission for rate-making purposes, immediately prior to the adoption of this Rule;
 - (b) “Existing Canadian GAAP” means the widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Accounting Standards Board;
 - (c) “First IFRS-Compliant GRA/GTA” means the first General Rate Application/General Tariff Application filed by a Utility which includes the Utility’s IFRS Adoption Date in the forecast test period;
 - (d) “IAS” or “International Accounting Standards” refers to the standards issued by the International Accounting Standards Committee from 1973 to 2000, when it was replaced by the International Accounting Standards Board (IASB), and as amended or replaced by the IASB;

- (e) “IASB” or “International Accounting Standards Board” is the independent standard-setting body of the International Accounting Standards Committee Foundation;
- (f) “IFRIC” means the International Financial Reporting Interpretations Committee; the interpretative body of the International Accounting Standards Committee Foundation;
- (g) “IFRS” means the entire body of IASB pronouncements, including standards and interpretations approved by the IASB, and the IAS and Standing Interpretations Committee Interpretations approved by the predecessor International Accounting Standards Committee;
- (h) “IFRS Adoption Date” means the date by which a Utility determines it shall adopt IFRS as the basis of its forecast - either January 1, 2010 or January 1, 2011 - in accordance with the letter filed with the Commission by a Utility under subsection 2(2); for the filing of actual results, all Utilities adopting IFRS are required to file using IFRS effective January 1, 2011;
- (i) “Regulatory Accounting” means the collective accounting guidelines, procedures, policies, and practices used by utilities when providing financial information to the AUC for rate-making purposes;
- (j) “Regulatory Assets and Liabilities” are assets and liabilities that result from rate actions of regulatory agencies. For the purposes of this Rule, Regulatory Assets and Liabilities can specifically result from rate regulation as follows:
 - (i) Regulatory Assets arise when the regulator has previously ruled that certain previously incurred costs will be collected from customers either directly or through rates in a future period;¹ and
 - (ii) Regulatory Liabilities arise when a Utility collects from customers in rates amounts that the regulator has previously ruled must be refunded to customers either directly or through rates in a future period or that are intended to cover costs to be incurred in the future;²

For the purposes of this definition, the term “costs” can include revenue shortfall, expenses, and gains and losses on sale of assets;³

- (k) “Uniform System of Accounts” means the system of accounts to be filed by an electric utility as set out in AUC Decision 2007-017, or by a gas utility as set out in Alberta Regulation 546/63 (Uniform Classification of Accounts for Gas Utilities); and
- (l) “Utility” or “Utilities” means all Commission-regulated electric utilities and gas utilities, and includes regulated or default service providers of gas and electricity.

Application

- 2(1)** Subject to subsection (3), this Rule applies to all Utilities.
- (2)** Utilities shall, on or before October 1, 2009, file a letter with the AUC indicating whether or not they will be adopting IFRS, and if so, indicate what their IFRS Adoption date will be.
- (3)** Utilities that indicate that they will not be adopting IFRS in the letter filed under subsection (2) above, and will therefore not be following the Regulatory Accounting disclosure set out in this Rule, must indicate in that letter the reasons why they are not subject to IFRS.
- (4)** Utilities that indicate to the Commission under subsection (2) that they will be adopting IFRS shall adhere to the following schedule:

Fiscal Year	Year Filed	Actual / Forecast	Accounting/Reporting Standard to Use
2009	2010	Actual	Existing Accounting Practice is to be used for regulatory filings with the AUC; Existing Canadian GAAP for financial statements
2010	2011	Actual	Existing Accounting Practice is to be followed for regulatory filings with the AUC; Existing Canadian GAAP for financial statements
2011	2012	Actual	This Rule is to be followed for regulatory filings with the AUC, complete with 2010 comparatives prepared using this Rule; IFRS is to be used for financial statements, including 2010 comparatives prepared under IFRS
2012 & beyond	2013 & beyond	Actual	This Rule is to be followed for regulatory filings with the AUC; IFRS is to be followed for financial statements
2009 (first year in test period)	Up to December 31, 2010	Forecast	Existing Accounting Practice is to be used
2010 (first year in test period)	Up to December 31, 2010	Forecast	Utilities may elect to file forecasts using Existing Accounting Practice, or, this Rule commencing with either the 2010 or 2011 forecast year according to the election made in subsection 2(2) of this Rule
2011 (first year in test period) & beyond	2010 & beyond	Forecast	This Rule is to be used for forecasts filed with the AUC

Guiding Principles

- 3 The Guiding Principles in Appendix I will be used when considering any proposed changes to the existing provisions of this Rule or when developing and establishing any new provisions to this Rule.

Expected Regulatory Accounting Disclosure

- 4 For greater clarity, the applicable IFRS, IAS or IFRIC reference is provided for each following sections or subsections.

IFRS Initial Adoption Adjustments (IFRS 1)

- 5 Utilities shall disclose each IFRS adoption adjustment separately if the adjustment has an impact on a regulatory account. These adjustments shall be included in a Utility's First IFRS-Compliant GRA/GTA, along with the Utility's proposal for the method for settling each adjustment.⁴

Specific Regulatory Accounting Items

6(1) Regulatory Assets and Liabilities: Deferral Accounts

Utilities shall maintain the existing practice of applying to the Commission for approval of any deferral accounts that may be required for the purpose of establishing Regulatory Assets and Liabilities and proposing the mechanism for their disposition.⁵

(2) Property Plant & Equipment

(a) Revaluation Option (IAS 16.31-16.42)

Utilities shall maintain the Existing Accounting Practice of using historical costs to record property plant and equipment accounts.

(b) Capitalization/Non-Capitalization of Costs: General and Administrative Overhead (IAS 16.16 and 16.19(d))

Utilities shall adhere to the IFRS requirements for capitalization of costs that are not directly attributable to an asset.⁶ Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in a Utility's First IFRS-Compliant GRA/GTA, and the Utility shall also propose in that rate application the method for settling the difference.⁷ In addition, the Utility will file a copy of its updated capitalization policy as a part of its First IFRS-Compliant GRA/GTA.⁸

(c) Capitalization/Non-Capitalization of Costs: Borrowing Costs/Equity Allowance for Funds used During Construction (AFUDC) (IAS 23)

- (i) Subject to subsection (ii), Utilities shall maintain the Existing Accounting Practice of including the debt and equity components of AFUDC when accounting for construction work in progress and plant in service.
- (ii) Utilities may submit an application to the AUC requesting approval to make their Regulatory Accounting practice the same as the practice under IFRS.⁹

- (d) Capitalization/Non-Capitalization of Costs: Depreciation of Assets Used in the Construction of Other Assets (IAS 16.48-16.49)

Utilities shall adhere to the IFRS requirement of capitalizing the depreciation of assets used in the construction of other assets.

- (e) Capitalization/Non-Capitalization of Costs: Asset Relocation Costs (IAS 6.20(c))

Utilities shall adhere to the IFRS requirements regarding the treatment of asset relocation costs.¹⁰ Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in a Utility's First IFRS-Compliant GRA/GTA. The Utility shall also propose in that rate application the method for settling the difference.¹¹ In addition, the Utility shall file a copy of its updated capitalization policy as a part of its First IFRS-Compliant GRA/GTA.¹²

- (f) Capitalization/Non-Capitalization of Costs: Pre-Operating Costs (IAS 16.19, 16.20 (a) and 16.20(b))

Utilities shall adhere to the IFRS requirements regarding the treatment of pre-operating costs.¹³ Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in a Utility's First IFRS-Compliant GRA/GTA. The Utility shall propose in that rate application the method for settling the difference.¹⁴ In addition, the Utility shall file a copy of its updated capitalization policy as a part of its First IFRS-Compliant GRA/GTA.¹⁵

- (g) Capitalization/Non-Capitalization of Costs: Training Costs (IAS 16.19 (c))

Utilities shall adhere to the IFRS requirements regarding the capitalization of training costs.¹⁶ Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in a Utility's First IFRS-Compliant GRA/GTA. The Utility will propose in that rate application the method for settling the difference.¹⁷ In addition, the utility will file a copy of its updated capitalization policy as a part of its First IFRS-Compliant GRA/GTA.¹⁸

- (h) Capitalization/Non-Capitalization of Costs: Asset Commissioning Costs (IAS 16)

Utilities shall adhere to the IFRS requirements regarding the treatment of asset commissioning costs.¹⁹ Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in a Utility's First IFRS-Compliant GRA/GTA. The Utility will propose in that rate application the method

for settling the difference.²⁰ In addition, the Utility will file a copy of its updated capitalization policy as a part of its First IFRS-Compliant GRA/GTA.²¹

(i) Treatment of Gains and Losses upon Retirement or Disposal of Assets (IAS 16.68)

Utilities shall maintain the Existing Accounting Practice of recording gains and losses upon retirement or disposal of assets. Utilities shall identify and record any difference in accounting between the IFRS reporting requirements and these regulatory reporting requirements in a separate subsidiary accumulated depreciation account.

(j) Componentization: Tracking, Depreciation Rates, Commencement of Depreciation (IAS 16.43-16.62)

(i) Depreciation Rates

A. Subject to subsection (B), Utilities shall continue to use the depreciation rates utilized under the Existing Accounting Practice.

B. If the adoption of the IFRS requirements for external financial reporting results in depreciation rates that differ from Existing Accounting Practice or results in a difference in the timing of commencement of depreciation, or both, then a Utility may, by way of application to the AUC, request approval to account for regulatory depreciation in accordance with IFRS.²²

(ii) Componentization of Major Overhauls

Utilities shall adhere to the IFRS requirements regarding the depreciation treatment of major overhauls.²³ Any financial difference that arises as a result of the adoption of the IFRS requirements is to be identified in a Utility's First IFRS-Compliant GRA/GTA. The Utility will propose in that rate application the method for settling the difference.²⁴ In addition, the Utility will file a copy of its updated capitalization policy as a part of its First IFRS-Compliant GRA/GTA.²⁵

(iii) Componentization

A. Subject to subsection (B), with respect to componentization, Utilities shall record assets at the level of detail being reported under the Existing Accounting Practice.

B. If the adoption of IFRS requirements for external financial reporting results in a different level of componentization, then a Utility may, by way of application to the AUC, request

approval to account for regulatory componentization in accordance with IFRS.²⁶

- (k) Asset Retirement Obligations/Future Removal and Site Restoration Costs (IAS 16.16(c), 16.18 and IAS 37)
 - (i) Subject to subsection (ii), Utilities shall maintain the Existing Accounting Practice regarding the treatment of asset retirement obligations and future removal and site restoration costs.
 - (ii) Utilities may, by way of application to the AUC, request approval to account for asset retirement obligations and future removal and site restoration costs in accordance with IFRS.²⁷

- (l) Treatment of Insurance Proceeds (IAS 16.65-16.66)

Utilities shall identify any insurance proceeds received for a loss of an asset and record these in a separate deferral account.²⁸ Utilities shall propose in their First IFRS-Compliant GRA/GTA the method for settling the deferral account.²⁹

- (m) Impairment of Assets (IAS 16.63 and IAS 36)

Utilities shall maintain the Existing Accounting Practice of having no impairment (or impairment reversal) charges included when providing or reporting financial information to the AUC.

- (n) Deemed Finance Leases (IAS 17)

Utilities shall maintain the Existing Accounting Practice regarding the treatment of deemed finance leases.

- (o) Capital Inventories (IAS 2 and IAS 16)

- (i) Subject to subsection (ii), Utilities shall maintain the Existing Accounting Practice of recognizing capital inventory and any associated depreciation.³⁰
- (ii) If the adoption of the IFRS requirements for external financial reporting results in depreciation rates that differ from Existing Accounting Practice or results in a difference in the timing of commencement of depreciation, or both, then a Utility may, by way of application to the AUC, request approval to account for regulatory depreciation in accordance with IFRS.³¹

- (p) Treatment of Customer Contributions (IFRIC 18)

Utilities shall maintain the Existing Accounting Practice of recognizing customer contributions in their Property, Plant & Equipment accounts and including the amortization as an offset to depreciation.

(3) Accounting Method for Income Taxes (IAS 12)

Utilities shall maintain the Existing Accounting Practice for income taxes. Utilities shall include the future income tax regulatory asset or liability in their rate applications when necessary.³²

(4) Pension Costs/Other Employment Benefits (IAS 19)

Utilities shall maintain the Existing Accounting Practice of recognizing pension costs and other post-employment benefits. Utilities shall include the Regulatory Asset or Liability associated with the pension costs and other post-employment benefits in their rate applications when necessary.³³

(5) Intangible Assets (IAS 38)

Utilities shall maintain the Existing Accounting Practice of recognizing intangible assets as part of their Property, Plant & Equipment accounts.³⁴

(6) Debt Transaction Costs (IAS 23)

(a) Subject to subsection (b), Utilities shall maintain the Existing Accounting Practice for amortizing debt costs.

(b) Utilities may, by way of application to the AUC, request approval to account for debt transaction costs in regulatory applications in accordance with IFRS.³⁵

(7) Discount Rate

Utilities shall maintain the Existing Accounting Practice of having no impairment (or impairment reversal) charges included when determining rates.³⁶

(8) Reserves for General Damages and Self Insurance

Utilities shall maintain the Existing Accounting Practice regarding the treatment of reserves for general damage and self insurance.

(9) Business Combinations (IFRS 3)

Utilities shall maintain the Existing Accounting Practice regarding the treatment of business combinations.

Appendix I – Guiding Principles

These Guiding Principles are all equally important and are to be viewed as a collective set of principles rather than a list of individual statements.

- The methodologies used by the AUC to establish just and reasonable rates have not always been the same as those used for external financial reporting purposes. The Commission has and will retain the authority to establish Regulatory Accounting and regulatory reporting requirements and as such, IFRS requirements will not be the sole driver of regulatory requirements.
- Future Regulatory Accounting and regulatory reporting requirements established by the Commission will continue to be based on historical, sound regulatory principles. Examples of these principles can be found in statutes, regulatory and court decisions and regulatory texts and include intergenerational equity, minimizing rate volatility and use of historical costs rather than fair market, or any other values.
- Future Regulatory Accounting and regulatory reporting requirements established by the Commission will, in considering IFRS requirements, balance the effects on customer rates and shareholders' return. Any shifting of risk between customers and shareholders will be minimized.
- Future Regulatory Accounting and regulatory reporting requirements established by the Commission will be aligned as much as possible with IFRS. In establishing any future Regulatory Accounting and regulatory reporting requirements that deviate from IFRS, the Commission will ensure that any such deviations and their impact are in the public interest.
- Future Regulatory Accounting and regulatory reporting requirements established by the Commission will be universal and standardized for all utilities while still recognizing that utility-specific issues can be addressed through that utility's applications.

Appendix II – Notes

These Notes have been included for informational purposes only

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- ¹ This can arise from the timing of collection of certain expenses in rates charged to customers that differs from the period in which the expense would be recognized under IFRS by companies that are not subject to rate regulation.
 - ² This can occur if costs are below a previously approved forecast or if they are collected from customers in a period before they are incurred. This can also arise when the revenue is recognized in a period that is different from the period that it would be recognized under IFRS by companies that are not subject to rate regulation;
 - ³ Regulatory Assets and Liabilities can arise from the approval by the regulator of a specific deferral account or the approval of a methodology for recovering costs such as using the cash method to recover income taxes and post employment benefit costs.
 - ⁴ For example, the establishment of a Regulatory Asset or Liability.
 - ⁵ Regulatory deferral accounts will continue regardless of the IFRS reporting standards. The AUC will continue to determine the process that the utilities must follow in order to have their deferral accounts approved as well as the process to have the deferral accounts recovered in a timely and effective manner. The Commission will consider including wording in future decisions that the approved methodologies that gave rise to the regulatory asset or liability will continue into the future. This will provide evidence on the high probability, subject to future regulatory review as required, of the collection or payment of regulatory assets and liabilities that may help utilities to record these items in their financial statements.
 - ⁶ IFRS does not allow the capitalization of costs that are not ‘directly attributable’ to the asset.
 - ⁷ For example, the establishment of a Regulatory Asset or Liability.
 - ⁸ The AUC and interested parties will review these proposals and capitalization policies as part of the rate-making process.
 - ⁹ This request would be subject to review by the AUC and interested parties as part of the AUC’s decision-making process.
 - ¹⁰ Under IFRS, the installation cost in the new location can be capitalized as long as the costs in the old location are retired. The cost of actually relocating existing assets has to be expensed as it is deemed to not provide future economic benefit.
 - ¹¹ For example, the establishment of a Regulatory Asset or Liability.
 - ¹² The AUC and interested parties will review these proposals and capitalization policies as part of the rate-making process.
 - ¹³ Certain pre-operating costs currently capitalized under generally accepted accounting principles would not be capitalized under IFRS.
 - ¹⁴ For example, the establishment of a Regulatory Asset or Liability.
 - ¹⁵ The AUC and interested parties will review these proposals and capitalization policies as part of the rate-making process.
 - ¹⁶ Certain training costs currently capitalized would not be capitalized under IFRS or under the early adoption of IFRS for intangible assets in 2009.

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- ¹⁷ For example, the establishment of a Regulatory Asset or Liability.
- ¹⁸ The AUC and interested parties will review these proposals and capitalization policies as part of the rate-making process.
- ¹⁹ Certain asset commissioning costs currently capitalized under generally accepted accounting principles would not be capitalized under IFRS.
- ²⁰ For example, the establishment of a Regulatory Asset or Liability.
- ²¹ The AUC and interested parties will review these proposals and capitalization policies as part of the rate-making process.
- ²² These proposed depreciation rates would be subject to review by the AUC and interested parties as part of the AUC's regulatory process.
- ²³ IFRS requires that expected major overhauls be estimated and separately componentized upon initial recognition of an asset. This portion of the asset's cost would then be depreciated over a different period of time than the related asset.
- ²⁴ or example, the establishment of a Regulatory Asset or Liability.
- ²⁵ The AUC and interested parties will review these proposals and capitalization policies as part of the rate-making process.
- ²⁶ Such request would be subject to review by the AUC and interested parties as part of the rate-making process.
- ²⁷ Such request would be subject to review by the AUC and interested parties as part of the rate-making process.
- ²⁸ Under IFRS, insurance proceeds are treated as income. Currently insurance proceeds received for a loss of an asset are considered proceeds of disposition with the resulting gain or loss going to accumulated depreciation.
- ²⁹ The AUC and interested parties will review the proposal as part of the rate-making process.
- ³⁰ Under IFRS, capital inventories will be classified as property plant and equipment and amortized when available for use.
- ³¹ These proposed depreciation rates would be subject to review by the AUC and interested parties as part of the AUC's regulatory process.
- ³² This future income tax Regulatory Asset or Liability will have no impact on the revenue requirement as it will be offset by the future income tax liability or asset.
- ³³ This Regulatory Asset or Liability will have no impact on the revenue requirement as it will be offset by the pension liability or asset.
- ³⁴ Under IFRS, software development costs and land rights will be classified as intangible assets.
- ³⁵ This request would be subject to review by the AUC and interested parties as part of the AUC's regulatory process.
- ³⁶ Consequently, the issue of differing discount rates will not affect regulatory reporting.