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September 4, 2013

International Accounting Standards Board
1st Floor, 30 Cannon Street
London, England EC4M 6XH
United Kingdom

To the Members of the International Accounting Standards Board ("IASB"):

Re: ED/2013/5 – Regulatory Deferral Accounts

Enbridge Inc. ("Enbridge") is a Canadian-headquartered, North American leader in delivering energy, operating the world's longest crude oil and liquids transportation system, regulated by federal regulators in both Canada and the U.S., and Canada's largest natural gas distribution utility, regulated by provincial regulators. Enbridge also has a significant involvement in the natural gas gathering, transmission and midstream markets, and an increasing involvement in power transmission. We are currently reporting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Our Canadian publicly listed subsidiary companies are following US GAAP under temporary exemptive relief provided by provincial securities commissions. With a significant portion of our operations subject to rate regulation, the absence of rate-regulated accounting guidance within International Financial Reporting Standards ("IFRS") has been a barrier to our adoption of IFRS. We strive to provide investors and stakeholders with reliable, relevant information which enables them to accurately assess Enbridge's financial position and performance and to compare such performance to its North American peers.

Enbridge supports and appreciates the IASB's efforts to develop a rate-regulated activity standard in the interest of creating converged high-quality guidance that is accepted and applied globally. It is with these objectives in mind that we respond to the Exposure Draft.

If there are questions or further clarification is required, please contact me personally.

Sincerely,

A handwritten signature in black ink, appearing to read 'JRB', is written over a faint, larger signature.

J. Richard Bird
Executive Vice President, Chief Financial Officer & Corporate Development

Copy: Mr. Gord Fowler, Accounting Standards Board (Canada)

Enbridge's responses to the questions raised in the exposure draft are set out below.

Question 1

The Exposure Draft proposes to restrict the scope to those first-time adopters of IFRS that recognized regulatory deferral account balances in their financial statements in accordance with their previous GAAP.

Is the scope restriction appropriate? Why or why not?

Creating a restriction which limits the use of regulatory deferral accounts to those entities that have not yet transitioned to IFRS but will be transitioning subsequent to the issuance of the [draft] interim Standard would create inconsistencies and reduce comparability of financial information among entities in the same or similar industries, and even between entities subject to regulation from a common regulator. Inconsistencies that exist at transition will continue to affect comparability until such time that a final standard is adopted. It is our view that all rate-regulated entities meeting the scope criteria outlined in paragraph 7 of the [draft] interim Standard should apply the [draft] interim Standard consistently. While we recognize the difficulties in creating a Standard which would apply to all eligible rate-regulated entities, we believe widespread application of the [draft] interim Standard will create a useful basis for a more permanent Standard in the future.

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 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.***

Are the scope criteria for regulatory deferral accounts appropriate? Why or why not?

We generally agree with the scope criteria proposed for regulatory deferral accounts; however, we recommend including a third criterion to incorporate reasonable assurance of recoverability. If evidence suggests allowable costs will not be recoverable from customers in the future as a result of a decrease in demand, changes in customer volume requirements, changes in technology, or increased competition, we would expect that a regulatory deferral balance be adjusted accordingly. An explicit requirement to consider recoverability would reduce the risk of recognition of regulatory deferral balances for which cash flows are not reasonably assured.

While we believe scope criterion (b) is generally appropriate, it is unclear how the term "allowable costs" will be interpreted in practice without further interpretive guidance. There is a risk that this scope criterion may be applied either more restrictively or more liberally than peer companies currently reporting in accordance with US GAAP or other bases of accounting, leading to a lack of comparability across companies. For example, alternative pricing or other non-traditional rate mechanisms, such as performance or incentive-based rates, are common in the utility or transportation industries. Interpretive guidance, such as that available under US GAAP, is often necessary to assess whether the scope criterion is met. Without such interpretive guidance or further clarity, there is a risk that the [draft] interim standard would only apply to the simplest of cost-of-service rate mechanisms, reducing the relevance to first time adopters and comparability across companies.

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 derecognize any regulatory deferral account balances that would not be permitted to be recognized 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?

As noted in our response to Question 1, we do not agree that the adoption of the [draft] interim Standard should be optional for first-time adopters of IFRS and we further believe that all entities subject to rate regulation should apply the [draft] interim Standard consistently.

In the event that the [draft] interim Standard permits first-time adopters to apply it, but does not require adoption, we agree that an entity must apply the requirements to all of its rate-regulated activities and resulting regulatory deferral account balances within the scope.

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.

Do you agree that entities that currently do not recognize regulatory deferral account balances should not be permitted to start to do so? If not, why not?

The use of "previous GAAP accounting policies" to determine recognition, measurement and impairment of regulatory deferral account balances may reduce comparability between entities. Further, we disagree with the proposal to disallow recognition of regulatory deferral account balances for entities subject to rate-regulated activities but who are not recognizing regulatory deferral accounts prior to transition to IFRS. If an entity is eligible to apply the [draft] interim Standard upon transition to IFRS, i.e. it meets the criteria proposed in paragraph 7 of the [draft] interim Standard, the entity should recognize regulatory deferral account balances in accordance with the [draft] interim Standard, irrespective of whether it applied rate-regulated accounting under previous standards.

We recommend additional guidance be included in the [draft] interim Standard with respect to those entities that become eligible for rate-regulated accounting subsequent to the transition to IFRS. For example, if a business within a qualifying rate-regulated entity does not meet the criteria proposed in paragraph 7 of the [draft] interim Standard at the time of transition to IFRS, but subsequently meets the requirements as a result of legal decisions or regulatory changes, it appears that this business would be precluded from recording deferral accounts even when these criteria are met. This would cause inconsistencies within an entity's financial statements, where certain regulatory deferral accounts are recorded and certain are not. Thus, further clarification would be required to determine whether only current deferral accounts are grandfathered under the [draft] interim Standard, or whether businesses which meet the criteria post-transition would also fall under the scope of the [draft] interim Standard.

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 recognized in accordance with other Standards.

Is the approach to the general application of other Standards to the regulatory deferral account balances appropriate? Why or why not?

We agree in principle that general application of other Standards to the regulatory deferral account balances is appropriate as this is consistent with the objective of the conceptual framework to narrow the differences in recognition of financial statement items between issuers. However, we believe there is the potential for guidance in other standards to contradict an entity's previous GAAP, which may lead to diversity in practice.

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 recognized as regulatory deferral account balances and movements in those balances should then be isolated by presenting them separately from the assets, liabilities, income and expenses that are recognized in accordance with other Standards.

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

Generally we agree with the objective of disclosing additional information to users to allow them to clearly differentiate regulatory deferral balances from balances recognized in accordance with other standards; however, we believe separating the regulatory deferral balances from other income statement accounts would not be reflective of their underlying economics and therefore may not provide stakeholders with reliable, relevant information to assess financial position and performance. In some cases, without reflecting the regulatory deferral accounts as part of the account balance with which they are closely related, ratios and other financial analytics may not be useful. Further, we believe that presenting such regulatory balances in a fashion that differs from our North American peers that are reporting under US GAAP hinders comparability and may lead to confusion for users of the financial statements.

Also, the investment required to update systems and processes for the level of presentation and disclosures required by the [draft] interim Standard may be costly and unnecessary if concepts introduced as part of the [draft] interim Standard are not permanent.

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 recognized in the financial statements.

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.

The proposed disclosure requirements provide decision-useful information for users as the information provided under these requirements would clearly identify the impact of rate regulation on the operations of an entity. However, the [draft] interim standard places undue emphasis on demand, regulatory, and other risks associated with rate regulation and requires incremental disclosure to this effect. We are concerned that entities applying this standard would be perceived as higher risk than entities that do not have these disclosure requirements and also may require forward-looking information. Further, we are unsure as to how cross-referencing external documents such as a management risk report would be accepted by our local securities regulators and auditors.

In addition to the proposed disclosure requirements, we believe it would also be useful to present current and long term regulatory deferral accounts on the statement of financial position as this would provide information on expected recovery of assets or release of obligations and assist users in preparing more accurate financial analysis.

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.

Is this approach appropriate? Why or why not?

Although we agree materiality is an important concept for an entity to consider when preparing financial statements and related disclosures, we believe the [draft] interim Standard should not explicitly refer to materiality. Materiality is not measured on a consistent basis across entities but instead is driven primarily by the expectations of an entity's financial statement users. Materiality is implicitly embedded within all standards.

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?

The transition approach is appropriate; however, as noted above, we believe the [draft] interim Standard should not be limited to first-time adopters of IFRS and should include specific transitional guidance for all rate-regulated entities reporting in accordance with IFRS.

Question 10

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

While we appreciate the IASB's efforts to develop a permanent rate-regulated activities standard, we respectfully submit that the interim standard does not reduce the barriers to adoption of IFRS which exist for North American entities with rate-regulated activities.

The IASB has stated that the interim standard does not anticipate the outcome of the rate-regulated activities project. Our belief is that even if the interim standard is adopted, it does not provide sufficient long-term certainty for entities with regulated operations. A transition between GAAPs for large and complex entities such as Enbridge is a significant undertaking in terms of time and costs ultimately borne by shareholders. Should a final standard not be developed or differ significantly from the interim standard, we may be required to seek an alternative in future years to continue to provide relevant, reliable and comparable financial information to our investors and stakeholders. Therefore, it is not practical for entities to convert to IFRS in reliance only on an interim standard.

Further, as the interim standard is not fully converged with US GAAP in its scope criteria and presentation and disclosure requirements, we do not believe it is furthering the IASB's goal of providing high quality guidance that is accepted and applied globally. The majority of Enbridge's peers report in accordance with US GAAP and we do not believe an interim standard that is not fully converged with US GAAP requirements and interpretations will be relevant to its stakeholders and would hinder comparability among our industry.

Lastly, utility and transportation companies such as Enbridge are subject to regulatory reporting requirements in both Canada and the United States, all of whom have accepted US GAAP as an appropriate basis of accounting. Having to maintain separate accounting records to fulfill various reporting requirements would remain a significant barrier to adoption of IFRS by entities with rate-regulated activities.