

**BRITISH COLUMBIA  
UTILITIES COMMISSION**

**ORDER  
NUMBER** G-168 -11

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IN THE MATTER OF  
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.  
for Approval to Adopt U.S. Generally Accepted Accounting Principles effective January 1, 2012

**BEFORE:** L.F. Kelsey, Commissioner  
D. Morton, Commissioner  
October 6, 2011

**O R D E R**

**WHEREAS:**

- A. On September 7, 2011, Pacific Northern Gas Ltd. (PNG) and Pacific Northern Gas (N.E.) Ltd. [PNG(N.E.)] (together the Companies) jointly filed an application pursuant to sections 23, 49, 60 and 61 of the *Utilities Commission Act*, for approval to:
1. Adopt U.S. Generally Accepted Accounting Principles (U.S. GAAP), effective January 1, 2012, for regulatory accounting and reporting purposes for the calculation of cost of service, revenue requirements, rate base, and the preparation of regulatory schedules and filings; and
  2. Record the one-time conversion costs associated with adoption of U.S. GAAP in a rate base deferral account for each of the Companies, for recovery from its respective customers in 2012 and 2013 (the Application);
- B. The Companies proposed a written regulatory process for review of the Application that included a Regulatory Agenda and Timetable. After consulting with the Companies and the Registered Interveners from the 2011 Revenue Requirements Applications (RRA) an abbreviated process was determined more appropriate, consisting of one round of British Columbia Utilities Commission (Commission) information requests and no Intervener participation;
- C. Currently the Companies report in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP) for both external financial reporting and regulatory reporting. Canadian GAAP will be replaced by International Financial Reporting Standards (IFRS) for rate regulated publically accountable entities for financial periods on or after January 1, 2012;
- D. In the second quarter of 2011, PNG's Board of Directors approved the adoption of U.S. GAAP in place of IFRS for financial reporting effective January 1, 2012;
- E. On August 18, 2011, PNG received approval from the British Columbia and Ontario Securities Commissions to file its financial statements in accordance with U.S. GAAP until January 1, 2015;

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- F. The Companies state that if U.S. GAAP for regulatory reporting purposes were not otherwise adopted the Companies, by default, would be required to report under IFRS for regulatory reporting purposes and therefore would need to maintain two sets of books which would be inefficient, costly and would reduce transparency in regulatory reporting;
- G. The Commission has reviewed the Application and concludes that the Application is in the public interest and should be approved.

**NOW THEREFORE** pursuant to sections 49 and 60 of the *Utilities Commission Act*, the Commission:

1. Approves PNG's and PNG(N.E.)'s request to adopt U.S. GAAP for regulatory accounting and reporting purposes commencing on January 1, 2012 and ending on December 31, 2014.
2. Directs the Companies to use U.S. GAAP as the underlying accounting basis for regulatory schedules and filings including the calculation of cost of service, revenue requirements, and rate base, for reporting periods commencing on January 1, 2012 and ending on December 31, 2014.
3. Approves the Companies' request to record one-time conversion costs associated with the adoption of U.S. GAAP in a U.S. GAAP rate base deferral account for each of the Companies.
4. Directs the Companies to seek approval for the amortization period and recoverability of the U.S. GAAP deferral account and to address the disposition of the previously incurred IFRS conversion costs as part of the 2012 RRA.
5. Directs the Companies to prepare a reconciliation of amounts reported for regulatory accounting to those amounts that would otherwise be reported under 2011 Canadian GAAP for the year ending December 31, 2012 to be included in its annual report and the 2012 RRA. The 2012 RRA should include a section on the 'Overview of Conversion to U.S. GAAP' in the same format and detail as to what was provided in the 2011 PNG-West RRA table 'Overview of Conversion to IFRS' and should also include details of the Companies' U.S. GAAP Transition Project including a full progress report. The requirement to provide reconciliation in further periods should be addressed as part of the 2012 RRA.
6. Directs the Companies to apply to the Commission by September 1, 2014, for approval of its regulatory accounting standard effective January 1, 2015. The application should include an update of rate-regulated (financial accounting) activities, explain how the Companies' requested regulatory accounting standards compare to other standards available at that time and a cost estimate of adopting or continuing with the requested regulatory accounting standard.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 7th day of October 2011.

BY ORDER

*Original signed by:*

L.F. Kelsey  
Commissioner