

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-25-11**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

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

and

Application by the Fortis BC Utilities
(comprising FortisBC Inc., Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc.,
and Terasen Gas (Whistler) Inc.)
for Approval to Adopt US Generally Accepted Accounting Principles effective January 1, 2012

BEFORE: A.A. Rhodes, Commissioner February 23, 2011

O R D E R

WHEREAS:

- A. On February 9, 2011, the Fortis BC Utilities (comprising FortisBC Inc., Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc., and Terasen Gas (Whistler) Inc.) filed an application pursuant to sections 23, 49, 60 and 61 of the *Utilities Commission Act*, for approval to adopt US Generally Accepted Accounting Principles (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 (the Application);
- B. The Application also seeks approval to record the one-time conversion costs associated with adoption of US GAAP in a rate base deferral account for each of the Fortis BC Utilities, for recovery from their respective customers in 2012 and 2013;
- C. The Fortis BC Utilities take the position that it is unlikely that International Financial Reporting Standards (IFRS) will allow recognition of regulated assets and liabilities in the foreseeable future;
- D. In the first quarter of 2011, the Fortis BC Utilities Boards of Directors are expected to approve the adoption of US GAAP for financial reporting effective January 1, 2012;
- E. The Fortis BC Utilities take the position that the adoption of US GAAP will allow for the continued recognition of regulated assets and liabilities for financial reporting purposes and that this accounting standard most appropriately reflects the economic and regulatory activities of the Fortis BC Utilities given their status as public utilities. They further take the position that adopting US GAAP for regulatory purposes will improve transparency by harmonizing results presented to regulatory and non-regulatory stakeholders, thereby avoiding significant efforts that would otherwise be necessary to reconcile the financial and regulatory reporting results;
- F. The Fortis BC Utilities will incur necessary incremental costs, primarily one-time in nature, in the adoption of US GAAP and submit that these costs are reasonable and prudent;

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- G. The Fortis BC Utilities provided both the one-time conversion cost estimates as well as the ongoing cost estimates of US GAAP adoption to the Commission on a confidential basis;
- H. The Fortis BC Utilities also provided notice of this Application to registered parties in each of their current revenue requirement negotiated settlement agreements;
- I. The Fortis BC Utilities request a written hearing process for review of the Application;
- J. The Commission considers that a written public hearing for review of the Application is in the public interest and establishes the Regulatory Timetable attached as Appendix A.

NOW THEREFORE the Commission orders as follows:

- 1. The Application will be examined by a written public hearing process and the Regulatory Timetable attached as Appendix A has been established.
- 2. The Application, together with any supporting materials, will be made available for inspection at the FortisBC Inc. office, 1975 Springfield, Kelowna, BC, V1Y 7V7, the Terasen Utilities Office, 16705 Fraser Highway, Surrey, BC, V4N 0E8 and at the British Columbia Utilities Commission, Sixth Floor, 900 Howe Street, Vancouver, B.C., V6Z 2N3 and will also be available on the FortisBC Utilities websites at www.terasengas.com and www.fortisbc.com.
- 3. The Fortis BC Utilities will publish, as soon as reasonably possible following the issuance of this Order, in display-ad format, the Notice of the Application, attached as Appendix B, in the Vancouver Sun and Province.
- 4. Interveners or Interested Parties should register with the Commission, in writing or electronic submission, by Thursday, March 3, 2011. Interveners should specifically state the nature of their interest in the Application and identify generally the nature of the issues that they may intend to pursue during the proceeding and the nature and extent of their anticipated involvement in the review process.

DATED at the City of Vancouver, In the Province of British Columbia, this 23rd day of February, 2011.

BY ORDER

Original signed by:

A.A. Rhodes
Commissioner

Attachments

Application by the Fortis BC Utilities
(comprising FortisBC Inc., Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc.,
and Terasen Gas (Whistler) Inc.)
for Approval to Adopt US Generally Accepted Accounting Principles effective January 1, 2012

REGULATORY AGENDA AND TIMETABLE

ACTION	DATE (2011)
Intervener Registration	Thursday, March 3
Commission Information Request No. 1	Thursday, March 10
Intervener Information Request No. 1	Thursday, March 17
The Fortis BC Utilities Response to Information Requests No. 1	Thursday, April 7
The Fortis BC Utilities Final Argument	Monday, April 18
Intervener Final Argument	Monday, May 2
The Fortis BC Utilities Reply	Monday, May 9



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NOTICE OF APPLICATION

THE APPLICATION

On February 9, 2011, the Fortis BC Utilities (comprising FortisBC Inc., Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc., and Terasen Gas (Whistler) Inc.) filed an application pursuant to sections 23, 49, 60 and 61 of the *Utilities Commission Act*, for approval to adopt US 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 (the Application).

The Application also seeks approval to record the one-time conversion costs associated with adoption of US GAAP in a rate base deferral account for each of the Fortis BC Utilities, for recovery from their respective customers in 2012 and 2013. The Fortis BC Utilities take the position that it is unlikely that International Financial Reporting Standards (IFRS) will allow recognition of regulated assets and liabilities in the foreseeable future.

In the first quarter of 2011, the Fortis BC Utilities Boards of Directors are expected to approve the adoption of US GAAP for financial reporting effective January 1, 2012. The Fortis BC Utilities take the position that the adoption of US GAAP will allow for the continued recognition of regulated assets and liabilities for financial reporting purposes and that this accounting standard most appropriately reflects the economic and regulatory activities of the Fortis BC Utilities given their status as public utilities. They further take the position that adopting US GAAP for regulatory purposes will improve transparency by harmonizing results presented to regulatory and non-regulatory stakeholders, thereby avoiding significant efforts that would otherwise be necessary to reconcile the financial and regulatory reporting results.

THE REGULATORY PROCESS

British Columbia Utilities Commission (Commission) Order G-25-11 established a Regulatory Timetable for the review of the Application by way of a written public hearing.

The detailed Regulatory Timetable can be reviewed on the Commission's website at www.bcuc.com>Current Applications>FortisBC Utilities Adopt US GAAP.

REGISTERING TO PARTICIPATE

Persons who wish to actively participate in this proceeding should register as Interveners with the Commission in writing by Thursday, March 3, 2011. Interveners will receive a copy of the Application as well as all correspondence and filed documents. An e-mail address should be provided if available.

Persons not expecting to actively participate, but who have an interest in the proceeding, should register as Interested Parties with the Commission in writing, by Thursday, March 3, 2011 identifying their interest in the Application. Interested Parties will receive an Executive Summary of the Application and a copy of the Commission's Decision when issued.

PUBLIC INSPECTION OF DOCUMENTS

This Application and supporting material will be made available for inspection at the FortisBC Inc. and Terasen Gas Inc. offices and websites as noted below and on the Commission's website at www.bcuc.com.

FortisBC Inc.
1975 Springfield
Kelowna, BC V1Y 7V7
www.fortisbc.com

Terasen Gas Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8
www.terasengas.com

All submissions and/or correspondence received from active participants or the general public relating to the Application will be placed on the public record and posted to the Commission's website.

FURTHER INFORMATION

For further information, please contact Ms. Erica Hamilton, Commission Secretary, by telephone (604) 660-4700 or BC Toll Free at 1-800-663-1385, by fax (604) 660-1102, or by Email Commission.Secretary@bcuc.com.