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April 18, 2011

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: The Fortis BC Utilities

Application to Adopt US Generally Accepted Accounting Principles ("US GAAP") effective January 1, 2012

Final Argument Submissions

On February 9, 2011, the Fortis BC Utilities (comprised of FortisBC Inc. and the FortisBC Energy Utilities [including FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc.[1]]), filed the Application as referenced above.

In accordance with Commission Order No. G-25-11 setting out the Regulatory Timetable for the review of the Application, the Fortis BC Utilities respectfully submit the attached Final Written Submissions.

If you have any questions or require further information related to this Application, please do not hesitate to contact Roger Dall'Antonia at (604) 443-6570 or by email to roger.dall'antonia@fortisbc.com.

Yours very truly,

on behalf of the FORTIS BC UTILITIES

Original signed:

Diane Roy

Attachment

cc (e-mail only): Registered Parties

[1] Formerly Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc. respectively

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the *Utilities Commission Act,*

R.S.B.C. 1996, Chapter 473 (the "*Act*")

and

An Application by the Fortis BC Utilities (comprised of FortisBC Inc., FortisBC Energy Inc., FortisBc Energy (Vancouver Island) Inc., and FortisBC Energy (Whistler) Inc.) for Adoption of US Generally Accepted Accounting Principles

SUBMISSIONS OF

FORTIS BC UTILITIES

April 18, 2011

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SUBMISSIONS OF FORTIS BC UTILITIES

A. INTRODUCTION

1. The Fortis BC Utilities, comprised of FortisBC Inc., FortisBC Energy Inc. ("FEI"), FortisBC Energy (Vancouver Island) Inc. ("FEVI"), and FortisBC Energy (Whistler) Inc. ("FEW") (collectively may be referred to as the "Utilities" or the "Companies") are applying to the British Columbia Utilities Commission (the "Commission" or "BCUC") under sections of 23, 49, 60, and 61 of the *Utilities Commission Act* (the "Act" or "UCA") for adoption of US Generally Accepted Accounting Principles ("GAAP") for regulatory accounting purposes, effective January 1, 2012 (the "Application"). Once approved, US GAAP will be used for the calculation of cost of service, revenue requirements, rate base, and the preparation of regulatory schedules and filings.

2. The Companies have used, and intend to continue to use, an accounting standard that recognizes the economic effects of regulation on their operations. Because the International Financial Reporting Standards ("IFRS"), which effectively replaces Canadian GAAP for rate regulated companies, currently does not appear to acknowledge rate regulated activities, the only currently available standard that recognizes regulated assets and liabilities is US GAAP. The Companies' management is responsible for selecting the most appropriate accounting standard that reflects the underlying economic or business model, and given the current status of IFRS, management believes that the appropriate standard is US GAAP.

3. As the Utilities intend to convert to US GAAP for external financial reporting purposes, adopting the same standards for regulatory accounting purposes will provide transparency and comparability between external financial reporting and regulatory reporting. Since US GAAP allows recognition of rate regulated activities, similar to the present practice under Canadian GAAP, adoption of US GAAP for regulatory purposes is not expected to result in many significant changes to the regulatory accounting treatment and calculation of rate base or cost of service.

4. The Utilities will incur a one-time cost to convert to US GAAP. This cost is recoverable from customers as it represents a normal cost of doing business and forms a part of the costs of providing utility services. There will also be ongoing costs; however, these costs will occur whether the conversion is to US GAAP or IFRS, and the ongoing costs are expected to be similar whether the Companies use US GAAP or IFRS.

5. The Companies respectfully submit that the evidence in this proceeding demonstrates that adopting US GAAP for regulatory reporting purposes is just and reasonable and that the Application should be approved.

6. The remainder of this submission first discusses the reasons for adopting US GAAP, followed by an explanation of the Companies' decision process with regard to the adoption. The submission then explains the regulatory impact, associated one-time and ongoing costs and customer impact of the proposed conversion to US GAAP. Any issues raised by Interveners in argument will be addressed in the reply submissions.

B. REASONS FOR ADOPTING US GAAP

7. Starting January 1, 2012, the Companies intend to use US GAAP for external financial reporting purposes and for preparing financial information to their parent company Fortis Inc.[1] For the reasons explained in the Application and further outlined below, the Companies are also proposing, and seeking Commission approval, to adopt US GAAP for regulatory accounting and reporting purposes, specifically in the calculation of cost of service, revenue requirements, rate base, and the preparation of regulatory schedules and filings.[2] The main reasons for the proposed adoption are:

- IFRS is in a state of uncertainty about recognition of rate regulated activities, and US GAAP is the only currently available standard that allows the Companies to continue to recognize regulated assets and liabilities in external financial reporting;

- Adoption of US GAAP will continue to allow for transparency and comparability between regulatory reporting and external financial reporting; and

- Adoption of US GAAP will have less regulatory impact than conversion to IFRS.

8. Each of the above reasons is further explained below.

(a) STATUS OF ACCOUNTING TREATMENT OF RATE-REGULATED ACTIVITIES IS UNCERTAIN UNDER IFRS

9. Under Canadian GAAP, the Companies are allowed in their external financial reporting to account for the impact of rate regulation through the recognition of regulatory assets and liabilities. However, Canadian GAAP, as it has been used historically, is effectively being replaced by IFRS in Canada.[3] As detailed in the Application and explained in responses to Information Requests, IFRS currently does not recognize rate regulated activities and there

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[1] Exhibit B-1, at page 1; Exhibit B-2, BCUC IR 1.1.5; Exhibit B-3, BCOAPO IR 1.2.1.

[2] Exhibit B-2, BCUC IR 1.1.1, 1.1.4. As clarified in Exhibit B-2, BCUC IR 1.1.3, the Companies need the approval of the Board of Directors to transition to US GAAP, and this approval has been granted. However, the Companies do not need the Board of Director's approval to file the Application.

[3] Exhibit B-1, at page 4; Exhibit B-2, BCUC IR 1.2.3; Exhibit B-3, BCOAPO IR 1.6.2.

is great uncertainty on whether rate regulated activities will be recognized under IFRS. Further, such uncertainty is likely to remain for the foreseeable future.[4]

10. Because of the uncertainty under IFRS, the Companies intend to adopt US GAAP effective January 1, 2012, as US GAAP is the only currently available accounting standard that will provide certainty in allowing for the recognition of assets and liabilities arising from rate regulation.[5]

11. Questions from both the Commission and Interveners suggest the possibility of utilizing a modified version of IFRS for regulatory reporting that would allow for the recognition of regulatory assets and liabilities. Although such a modification may be a possibility, it is not appropriate for the Companies for two main reasons.[6]

12. First, even with the suggested modification, a disconnect would remain between external financial reporting and regulatory reporting, as the Companies intend to use US GAAP for external financial reporting purposes.[7] The disconnect between the underlying regulatory model and the Companies' financial reporting would make the financial statements less useful for stakeholders, could create confusion for stakeholders, and would diminish transparency and comparability (discussed further below) of the Companies' financial reports.[8]

13. Second, aside from regulatory deferral accounts, there are other differences between IFRS and US GAAP that would require ongoing reconciliation. Examples of such differences include the pension expense calculation and the capitalization of overheads. Although the differences may be recorded in a deferral account, the differences will compound over time and the reconciliation becomes not only costly but also complicated and impractical. The further rate setting and financial reporting diverge, the more challenging and costly it will be to track and reconcile differing accounting treatments.[9]

14. The Commission also expressed its concern about the future of US GAAP, raising the possibility that the United States may adopt IFRS in 2015 or at some other future

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4 Exhibit B-1, at pages 3-4; see also Exhibit B-2, BCUC IR 1.6.10, 1.8.1.1, 1.8.1.3.
5 Exhibit B-1, at pages 4, 5; see also Exhibit B-2, BCUC IR 1.1.3.1.
6 e.g., Exhibit B-2, BCUC IR 1.7.1.3, 1.7.1.4.
7 Exhibit B-2, BCUC IR 1.1.1.5.
8 Exhibit B-1, at page 5; Exhibit B-2, BCUC IR 1.7.1.3; Exhibit B-3, BCOAPO IR 1.2.1. In response to Exhibit B-2, BCUC IR 1.7.1.1, the Companies defined stakeholders to include not only the traditional groups of stakeholders, such as customers, municipal and provincial governments, First Nations, customer and environmental advocacy groups, energy industry participants, other utilities and the Commission but also rating agencies, bond holders and other debt providers to the utilities, as all of who would find US GAAP based reporting of use.
9 Exhibit B-2, BCUC IR 1.7.1.4; Exhibit B-3, BCOAPO IR 1.2.1.

date. However, it is unknown whether or when the US will adopt IFRS, or what developments will have occurred under IFRS at that time. Although the United States is on a course of converging US GAAP and IFRS, it may or may not result in the eventual adoption of IFRS for US financial reporting purposes. Indeed, the Companies generally expect IFRS and US GAAP convergence to eventually result in a single set of accounting standards for rate regulated utilities that more closely resembles current US GAAP than current IFRS.[10]

15. Moreover, even if the US were to adopt IFRS at some future date, it does not make the customers pay twice for the same IFRS conversion activities, as suggested by some of the information requests.[11] The experience gained from the work undertaken in preparation for conversion to IFRS and US GAAP adoption would assist in a future conversion if it were to become necessary.[12]

16. The Companies believe that moving to IFRS without recognition of regulatory assets and liabilities should be avoided as long as there is a reasonable alternative. As discussed below, conversion to US GAAP retains the consistency and transparency between regulatory and external reporting, and there will be cost benefits in the long run.

(b) USE OF US GAAP FOR REGULATORY ACCOUNTING PURPOSES WILL MAINTAIN THE LEVEL OF TRANSPARENCY AND COMPARABILITY

17. As explained below, transparency and comparability are important concepts for both rate-setting and external financial reporting purposes. Adoption of US GAAP for regulatory accounting purposes enhances transparency and comparability, which, in turn, enables the regulators, stakeholders, and the general public to have a clearer understanding of the economic effects of regulation, to better assess the Companies' performance, and to make more informed decisions.[13]

18. Transparency is enhanced by the use of one set of accounting standards for both regulatory reporting and external financial reporting purposes. Such practice will continue to provide a link between the financial statements filed for these two different purposes, thereby presenting a clearer picture of the business reality of a utility's operations and enabling a better understanding of the economic effect of regulations on the company.[14]

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[10] Exhibit B-2, BCUC IR 1.6.4, 1.6.5, 1.6.8, 1.8.3.1.
[11] E.g. Exhibit B-2, BCUC IR 1.6.6, 1.6.5.
[12] Exhibit B-2, BCUC IR 1.6.6, 1.8.3.2.
[13] Exhibit B-2, BCUC IR 1.2.2.1, 1.2.2.9.
[14] Exhibit B-1, at page 5.

19. Comparability in this context refers to the availability of information that enables the regulators and the public to make comparison of similar information to prior periods. Consistency in the application of accounting methods over time increases the informational value of comparisons of relative economic opportunities or performance.[15] In the case of the FortisBC Utilities, the current practice of Canadian GAAP that recognizes particular items as regulatory assets and liabilities will need to continue in order to permit comparability to the Companies' prior years' performance.[16]

20. The Companies have been able to maintain transparency and comparability through reconciliations in their annual reports to the Commission and through communications via various channels to all regulatory stakeholders and also to users of external financial information.[17] Should the Commission grant the relief requested by the Companies, and in future should there be situations where the Commission wishes to set rates that differ from the US GAAP accounting treatment, the Companies will be in a position to reflect those differences in the deferral accounts in its external financial reporting which makes it transparent to the users of that financial information.[18] The Companies would therefore be able to maintain the current level of transparency and comparability.

(c) THERE IS LESS REGULATORY IMPACT FROM ADOPTION OF US GAAP

21. The Companies submit that the potential regulatory impact from adopting US GAAP would be less than what would be experienced if the Companies were to adopt IFRS. There are two reasons for this.

22. First, US GAAP, in comparison to IFRS as it currently stands, is a more appropriate accounting standard for a regulated entity as it better reflects the economic and regulatory realities of the Companies. US GAAP takes into account the economic impact of rate regulated activities and properly recognizes them in the financial statements in a manner consistent with the timing of when amounts are reflected in customer rates, and lessens a utility's earnings volatility for external financial reporting purposes.[19]

23. In contrast, as summarized by National Association of Regulatory Utilities Commission in its position on the inclusion of rate regulated activities in IFRS, IFRS without recognition of regulatory assets and liabilities "will necessarily constitute a significant

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[15] Exhibit B-2, BCUC IR 1.2.2.1, 1.2.2.2.
[16] Exhibit B-2, BCUC IR 1.2.2.1
[17] Exhibit B-2, BCUC IR 1.2.2.7, 1.2.2.9.
[18] Exhibit B-2, BCUC IR 1.7.1.4.
[19] Exhibit B-1, at page 5.

detriment to rate-regulated utilities in the United States and Canada along with their customers". It further explained:

> *"Without a rate-regulated provision, utility earnings under IFRS will be more volatile, customer confidence could be substantially reduced and the ability to finance severely impaired when investments in infrastructure are greatly needed. Without such a provision, regulatory bodies could be required to establish programs differently to establish fair, just and reasonable rates. Moreover, the recognition of regulatory assets and liabilities accurately represents the underlying economics of the operations of regulated utilities…."*[20]

24. Second, US GAAP is similar to the form of Canadian GAAP that the Companies currently use, which not only makes the transition to US GAAP less complicated but also should result in less regulatory impact.[21] For instance, the preliminary evaluation of the differences between US GAAP and Canadian GAAP demonstrates:

- The primary difference between US GAAP and Canadian GAAP relates to the determination of the net benefit cost, assets and liabilities for employee future benefits. It is expected that the US GAAP and Canadian GAAP differences relating to employee future benefits will be accumulated in deferral accounts for regulatory purposes to minimize the impacts to regulatory reporting.[22]
- There are a number of other adjustments that would also impact the external financial reporting but are not reflected in the regulatory accounting.[23]
- Based on the analysis done to date, the accounting changes that the Companies have previously identified as required under IFRS are also permitted under US GAAP.[24]

25. The Companies submit that although the assessment of all of the differences between US GAAP and Canadian GAAP is yet to be completed,[25] this should not constitute an obstacle to the Commission's approval. As their general practice, the Companies provide reconciliation between the external financial reporting and regulatory reporting in their annual reports filed with the Commission. Adoption of US GAAP will not change this practice

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[20] Exhibit B-1, Appendix A to the Application, at page 2.
[21] Exhibit B-1, at page 5.
[22] Exhibit B-2, BCUC IR 1.2.1.1.
[23] Exhibit B-2, BCUC IR 1.2.1.1.
[24] Exhibit B-1, at page 7; Exhibit B-2, BCUC IR 1.2.1.1, 1.2.1.2; Exhibit B-3, BCOAPO IR 1.5.1.
[25] Exhibit B-2, BCUC IR 1.9.1.3.

and the reconciliation will continue to be provided in a similar manner.[26] Indeed, adopting US GAAP for regulatory purposes is not expected to result in as significant of a change to the reconciling items between regulatory and financial reporting and therefore a reduced administrative burden as compared to adopting IFRS for regulatory purposes.[27]

C. THE COMPANIES' DECISION TO ADOPT US GAAP

26. The Companies' decision to adopt US GAAP for external reporting purposes and proposed for approval for regulatory purposes, instead of IFRS, was made with considerable deliberation and in light of a series of events that transpired in the last few months of 2010.

27. As explained in the Application and responses to Information Requests, the Companies had planned to convert to IFRS and adapt their financial records to meet the requirements of IFRS, as there had been indication that IFRS would allow the recognition of regulated assets and liabilities. However, during the last few months of 2010, it became evident that utilities would not be permitted to recognize rate-regulated activities under IFRS. As a result, the Companies considered US GAAP as a preferred alternative, as it is currently the only appropriate set of accounting standards for rate-regulated utilities due to the important ability to recognize regulatory assets and liabilities, which, among other things, will result in less earnings volatility than anticipated under IFRS.[28]

28. The Companies had to and did act immediately on their timelines to allow for the preparation of external financial reporting information under US GAAP beginning in 2012.[29]

29. There were several questions inquiring about the Companies' decision process with regard to the adoption of US GAAP.[30] The Companies submit that they have made a prudent decision to adopt US GAAP. As explained in the Application and outlined here in these submissions, the decision was made in light of the changing position under IFRS on the recognition of regulated assets and liabilities and in consideration of the fact that adopting US GAAP would allow continuing treatment of rate-regulated activities as it had been under

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[26] Exhibit B-2, BCUC IR 1.2.2.10.

[27] Exhibit B-2, BCUC IR 1.2.2.12.

[28] Exhibit B-1, at page 4; Exhibit B-2, BCUC IR 1.5.1.4; see also Exhibit B-2, BCUC IR 1.6.7, 1.8.1.1. As explained, given Canada's relatively small contribution to the world economy, it is not necessarily surprising that the Canadian influence was not persuasive enough to result in the adoption of the Exposure Draft. We believe that the US will be more persuasive than Canada in having its concerns about IFRS dealt with as US GAAP and IFRS continue to converge. The world wants the US to move to IFRS so will likely be more pragmatic about compromising than was the case for Canada.

[29] Exhibit B-1, at page 3-4; Exhibit B-2, BCUC IR 1.5.1.4.

[30] E.g., Exhibit B-2, BCUC IR 1.1.1.1 to 1.1.1.7.

Canadian GAAP. The adoption plan was discussed with the Audit Committee and approved by the Board of Directors.[31]

30. The Companies' prudence is also evidenced by their efforts to examine and mitigate any potential problems that may arise from the US GAAP conversion. For instance, the Companies' parent company, Fortis Inc., has filed a confidential application with the Ontario Securities Commission on behalf of the Fortis subsidiaries, seeking permission to prepare and file their financial statements in Canada in accordance with US GAAP, without becoming SEC Issuers.[32] If Fortis Inc. is successful in their application to the Ontario Securities Commission, FortisBC Inc. and FortisBC Energy Inc. will not be required to register with the SEC and list on the NYSE. Alternatively, to allow the adoption of US GAAP, FortisBC Inc. and FortisBC Energy Inc. expect to register with the United States Securities and Exchange Commission ("SEC") to qualify as "SEC Issuers", as defined under the Canadian securities legislation.[33] The Companies engaged and relied upon external legal and accounting advice in making the determination that FortisBC Inc. and FortisBC Energy Inc. will meet the definition of an SEC Issuer once they have registered with the SEC and listed with the NYSE.[34]

D. COST OF CONVERSION, COST RECOVERY AND CUSTOMER IMPACT

31. The Companies will incur both one-time and ongoing costs to convert to US GAAP and have requested in the Application to record the costs in a rate-base deferral account.[35] These costs are justified because, as explained in the Application and outlined above, US GAAP currently is the only standard that appropriately takes stakeholders' interests into consideration. Additionally, the costs are reasonable, are part of the costs of providing utility services, and are thus recoverable from customers. Furthermore, conversion will have limited impact on customers in the short-term and potentially a beneficial impact in the long-term.

32. The cost for conversion, and cost recovery and customer impact will be further discussed below.

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31 Exhibit B-2, BCUC IR 1.1.1.1-1.1.1.5.
32 Exhibit B-2, BCUC IR 1.3.3.
33 Exhibit B-2, BCUC IR 3.1.1. Although FortisBC Inc. and FortisBC Energy Inc. would not be required to file their financial statements in accordance with US GAAP once they are registered with the SEC and qualify as SEC Issuers, the two companies are permitted and intend to file their financial statements in accordance with US GAAP.
34 Exhibit B-2, BCUC IR 1.3.4; Exhibit B-3, BCOAPO IR 1.3.1.
35 Exhibit B-1, at page 9.

(b) US GAAP Conversion Cost

33. The Companies will incur both one-time conversion costs and ongoing costs upon converting to US GAAP. The one-time cost is estimated at $2.6 million, while the ongoing costs are approximately $1.2 million per year. These cost estimates are the total for all four FortisBC Utilities - FEI, FEVI, FEW, and FortisBC Inc.[36] In Exhibit B-1, Confidential Appendix D of the Application and in responses to various Information Requests,[37] the Companies have detailed and explained the components and basis of these costs.

34. Although the forecasted one-time conversion costs are higher when compared to costs to adopt IFRS (a variance of $0.6 million) and there will be incremental costs (such as ongoing cost to comply with SOX attestation requirement) under US GAAP, using US GAAP in the long run will bring benefits to customers as is discussed in the Application and below.[38]

35. Under both US GAAP and IFRS, there will be a degree of reconciliation required between external financial reporting and regulatory reporting. Based on the analysis conducted to date on the differences between Canadian GAAP and US GAAP, the Companies expect the number of items required for reconciliation would be similar to what is required today. Because US GAAP and the form of Canadian GAAP currently used by the Companies treat rate-regulated activities similarly, the Companies also expect adjustments required for reconciling items between regulatory reporting and external financial reporting will not be too significant. In contrast, due to the absence of rate-regulated accounting being permitted under IFRS, adopting IFRS would require a higher number and new set of reconciliations between external reporting under IFRS and regulatory reporting. And, the number of reconciling items and complexity of this reconciliation will grow significantly over time. This translates to more administrative effort and time required for reconciliation.[39] A reduction in reconciling differences between regulatory and external financial reporting is expected to result in reduced or avoided costs over time which would be passed on to customers.[40]

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[36] Exhibit B-1, at page 9.

[37] See generally, Exhibit B-2-1, Responses to Confidential BCUC IRs.

[38] See Exhibit B-1, at pages 10-11. The on-going costs are inclusive of costs for potential activities needed for US GAAP compliance activities. As explained in the response to Exhibit B-3, BCOAPO IR 1.7.1, these are the estimated annual costs to be incurred by having an external independent audit firm provide an opinion (i.e., auditor attestation) on internal controls over financial reporting. Such auditor attestation is not currently required under Canadian GAAP, nor is it anticipated to be required under IFRS. Once the incremental costs relating to SOX 404 attestation under US GAAP are considered, the total audit service fees are higher under US GAAP as compared to IFRS. In the event that the Companies are successful at their efforts as outlined in paragraph 30 of this Submission, then some on-going costs may not be needed.

[39] Exhibit B-2, BCUC IR 1.7.1.3.

[40] Exhibit B-2, BCUC IR 1.7.1.3; Exhibit B-4, CEC IR 1.2.1.

36. Moreover, the conversion to US GAAP for external reporting may bring benefits to the Companies' customers in the long run. As explained in the Application, under IFRS, regulatory assets and liabilities would be included as revenues and expenses when calculating both debt covenants and issuance tests under Canadian GAAP. In the absence of regulatory assets and liabilities, earnings will become volatile and less predictable. This may adversely affect the Companies' compliance with debt covenants and the Companies' ability to issue additional debt, which, in turn, could have impacts on the availability and cost of debt and equity.[41]

(c) Cost Recovery

37. All costs for conversion, including both the one-time cost and the ongoing costs, should be recovered from customers as part of providing utility service. The main reasons are two-fold.

38. First, the one-time and ongoing cost estimates are appropriate and necessary expenses for the Companies to transition to US GAAP. As explained above, because US GAAP allows for the recognition of regulatory assets and liabilities and will be used by the Companies for external financial reporting purposes, the Companies are proposing to adopt US GAAP for regulatory reporting purposes to maintain transparency and comparability and to diminish regulatory impact.[42] The one-time cost represents expenses for the Companies' preparation to complete the transition to US GAAP, including developing, structuring and completing the three-phrase plan for conversion. The ongoing costs mainly reflect the expenses for compliance with the reporting requirements of the SEC.[43]

39. Second, changes in accounting standards have been, and will likely continue to be, a regular occurrence as standard setters continue to make changes and evolve existing standards and adjust to changing circumstances. Whether it is to IFRS or US GAAP, the costs prudently incurred by the Companies of converting to and implementing new and evolving accounting standards are a normal cost of doing business and form a part of the costs of providing utility services. As such, they are properly a customer cost and should be reflected in the cost of providing utility service and in rates charged to the utility's customers.[44]

40. The impact of US GAAP adoption on customers is limited to the differing costs for converting to US GAAP vs. IFRS, the timing differences between when expenditures may

[41] Exhibit B-1, at page 8.
[42] Exhibit B-1, at pages 5-8.
[43] Exhibit B-1, at page 10.
[44] Exhibit B-2, BCUC IR 1.8.3.3; see also Exhibit B-2, BCUC IR 1.1.2.4, 1.1.2.5, and 1.4.1.6.

be recognized for regulatory purposes under US GAAP vs. IFRS, and any additional costs associated with SEC registration and listing on NYSE.[45]

41. The Companies believe that a rate base deferral account with disposition in future rates is the most appropriate mechanism for recovery of non-capital costs that are one-time in nature.[46]

E. CONCLUSION

42. In light of the fact that IFRS does not currently allow the recognition of regulated assets and liabilities and there is uncertainty if such recognition will occur in the foreseeable future, the Companies have made a prudent decision to adopt US GAAP as it is currently the only option available that allows such recognition, and intend to proceed with the adoption of US GAAP for external financial reporting purposes.[47] The use of US GAAP for the calculation of cost of service, revenue requirements, rate base, and the preparation of the regulatory schedules and filings to maintain transparency and comparability between regulatory and financial reporting and to reduce the regulatory impact that the Companies would experience if converting to IFRS is, therefore, in the public interest.

43. The Companies have provided estimates of the one-time and ongoing costs for the conversion. The costs are necessary and appropriate for carrying out the planned conversion and are part of the normal business of the Utilities. Thus, the costs should be recoverable from the customers.

44. The Companies thus respectfully submit that the Commission should grant the approval sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

FORTIS BC UTILITIES

Original signed:

Song J. Hill
Counsel for Fortis BC Utilities

Dated: April 18, 2011

[45] Exhibit B-4, CEC IR 1.1.3.
[46] Exhibit B-3, BCOAPO IR 1.1.1.
[47] Exhibit B-2, BCUC IR 1.1.1.5.