

# International Financial Reporting Standards (IFRS)

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# IFRS Agenda



## ❖ Gaz Métro's overview

## ❖ IFRS

- Getting ready
- Regulatory assets and liabilities
- Other assets and liabilities
- Financial reporting

## ❖ In the meantime

# IFRS

## Gaz Métro's Overview



- ❖ Assets of \$3.3 billions
- ❖ Québec largest natural gas distributor with 171,000 customers, 10,000 km of pipe and throughput of approximately 180 Bcf
- ❖ Active in electric and natural gas distribution in Vermont through Vermont Gas Systems and Green Mountain Power
- ❖ Partnership investment in pipeline (TQM, PNGTS) and storage facilities (Intragaz)
- ❖ 95% of net income from regulated activities

# IFRS

## Getting Ready



❖ Awareness → Anxiety

❖ Action → Anxiety → Frustration

- ❖ Giving direction but . . . everything is a moving part
  - ❖ Canadian GAAP
  - ❖ IFRS-1
  - ❖ IFRS – conceptual framework
  - ❖ IFRS – exposure-draft on rate-regulated activities
  - ❖ IFRS: 17 new standards and major projects in progress excluding exposure-draft on rate-regulated activities and 9 projects of amendments to standards

# IFRS

## Regulatory Assets and Liabilities





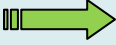
- ❖ Built in the Canadian regulatory framework
- ❖ In the best interest of customers and shareholders
- ❖ Economic value and law !
  - ❖ Weather normalization (WN)
  - ❖ PGA and derivative on commodity
  - ❖ Energy efficiency program (EEP)



### ❖ Gaz Métro : Volatility of results

- ❖ WN, PGA, EEF  $\approx$  90% of net earnings
- ❖ Derivatives  $\approx$  200% of net earnings

### ❖ Specific rules for rate-regulated entities

- ❖ YES  OK - Board decision
- ❖ NO  Too late !  
 Non GAAP reporting
  - Value of F/S
  - Cost

# IFRS

## Other Assets and Liabilities



- ❖ Use of sustainable development principles to determine the right GAAP
- ❖ Minimize differences between IFRS and actual accounting treatment
- ❖ Fixed Assets
  - ❖ Components
  - ❖ Overhead capitalization
  - ❖ AFDUC
  - ❖ ARO / disposal
- ❖ Employees' benefit
  - ❖ Funded vs pay as you go
- ❖ Inventories

# IFRS Financial Reporting



❖ Lengthly and expensive

❖ Will become more of each !

❖ Transition will be difficult if no specific rules for RRE

# IFRS

## In the meantime



- ❖ Work with the Board (*Régie de l'énergie*) and stakeholders
- ❖ Take the opportunity
  - ❖ Understand the issue
  - ❖ Find the best solution
- ❖ With all the uncertainties