

AC010

FINANCIAL REPORTING

10.09

NORTH AND SOUTH FINANCIAL STATEMENT DEVELOPMENT

PURPOSE

This document will provide procedures for the reporting of North and South financial statements for ATCO Pipelines.

This policy will ensure that the allocation of amounts not directly attributable to a specific region is consistent between the regions over time.

PROCEDURE

Each year management will review the allocation methods to ascertain the most appropriate methods. This policy will be updated as required to reflect any changes that occur.

Actual amounts should be tracked and charged on a North/South basis whenever it is feasible and cost effective to do so.

Calculation of the North/South allocation methods will only be changed if the allocation method originally chosen is no longer appropriate, due to a change in business practices.

A copy of the allocation methods used for the current year will be filed with the Report of Finance and Operations for each reporting entity.

Table 10.09 (a) provides the allocation methods used for specific accounts and

Table 10.09 (b) provides the allocation percentages to be used.

ALLOCATION METHOD DEFINITIONS:

- **Actuals:** Where it is practical, income statement and balance sheet amounts are recorded to specific North and South accounts.
- **Account Analysis:** Details of the account will be analyzed and split between North and South based on actuals where it is practical. Some portion of the account may be allocated using other allocation methods.
- **Equal Allocation:** Costs will be shared equally between North and South regions for the reporting entity.
- **General Services:** Costs will be allocated on the percentage of North and South labour charges to Operations & Maintenance for the reporting entity.

REVISION	DATE	APPROVAL	REVIEW FREQUENCY	PAGE
4	Oct. 18/11	Vice President Regulatory & Controller	Annual	1 of 5

AC010

FINANCIAL REPORTING

10.09

NORTH AND SOUTH FINANCIAL STATEMENT DEVELOPMENT

- **Labour Costs:** Costs will be allocated on the percentage of North and South labour charges to Operations & Maintenance for the reporting entity.
- **Operation and Maintenance (O&M) and Capital Expenditures:** Amounts will be allocated on the percentage North and South total year to date O&M expense and Capital Expenditures.
- **Shared Services Policy:** Refer to Policy 10.08 to allocate between North and South Operation and Maintenance (O&M) costs for ATCO Pipelines shared services.

Table 10.09 (a) NORTH/SOUTH ALLOCATION METHODS FOR FINANCIAL STATEMENTS

STATEMENT CATEGORY	CATEGORY ITEM	ALLOCATION METHOD
Income Statement		
Revenues	Gas Transportation	Actuals
	Cost of Service	Actuals
	Processing/Condensate	Actuals
	Franchise Fees	Actuals
	Lease	Actuals
	FT-A Revenue	Actuals
Operating Expenses	Gas Supply Costs	Actuals
	O&M / G&A	Shared Services Policy
	Depreciation	Actuals
	Franchise Fees	Actuals
	Property Tax	Actuals
Financing and Other Charges	Long Term Debt Interest	Actuals
	Preferred Dividends	Actuals
	Amortization of Issue Costs	Actuals
	Short Term Interest Expense	Equal Allocation
	Other Interest Expense	Account Analysis
	AFUDC	Actuals
	Short Term Interest Revenue	Equal Allocation
	Other Income	Account Analysis
Income Taxes	Income Taxes	Actuals

AC010

FINANCIAL REPORTING

10.09

NORTH AND SOUTH FINANCIAL STATEMENT DEVELOPMENT

Table 10.09 (a) NORTH/SOUTH ALLOCATION METHODS FOR FINANCIAL STATEMENTS

Continued:

STATEMENT CATEGORY	CATEGORY ITEM	ALLOCATION METHOD
Balance Sheet		
Cash	Cash	Balancing Item
Advances to Affiliates	Advances to Affiliates	Equal Allocation
Accounts Receivable	Transportation	Actuals
	Accounts Receivable -Other	Account Analysis
	Interest	Equal Allocation
Owing by Affiliates	ATCO Gas	Account Analysis
	ATCO Electric	Account Analysis
	ATCO Frontec	Account Analysis
	ATCO Midstream	Account Analysis
Inventory	Material Inventory	General Services
	Working Gas Inventory	Actuals
Income Tax Recoverable	Income Tax Recoverable	Actuals
Future Income Tax	Future Income Tax	Actuals
Prepaid Expenses	Clearing Accounts	Equal Allocation
	Prepaid Insurance	General Services
	AUC Assessment	Actuals
	Feasibility Work Orders	Actuals
	Employee Advances	Equal Allocation
Property Plant and Equipment	Plant Property & Equipment	Actuals
	Accumulated Depreciation	Actuals
	Net Contributions	Actuals
Deferred Financing Charges	Deferred Share Issue Costs	Actuals
	Deferred Debt Issues Costs	Actuals
Other Deferred Assets	Deferred Pension Costs	Actuals
	Other Investments	Actuals

AC010

FINANCIAL REPORTING

10.09

NORTH AND SOUTH FINANCIAL STATEMENT DEVELOPMENT

Table 10.09 (a) NORTH/SOUTH ALLOCATION METHODS FOR FINANCIAL STATEMENTS

Continued:

STATEMENT CATEGORY	CATEGORY ITEM	ALLOCATION METHOD
Balance Sheet continued:		
Regulatory	Other Pipeline Delivery Accounts	Actuals
	Load Balancing Deferral Account	Actuals
	Regulatory Pension Asset	Actuals
	Regulatory OPEB Asset	Actuals
	Exchange Deferred Account	Actuals
	Deferred Salt Cavern Account	Actuals
	Contingency Reserve	Actuals
Due to Bank	Due to Bank	Balancing Item
Advances from Affiliate	Advances from Affiliate	Equal Allocation
Accounts Payable	General (Misc, Pending, Holdbacks)	O&M and Capital Expenditures
	Other	Account Analysis
Other Current and Accrued	Vacation Payable	Labour
	Audit Fees	General Services
	Undistributed Pay	Labour
	Retroactive Pay	Labour
	Payroll, Banked Overtime	Labour
Income and Other Taxes	Income Taxes Payable	Actual
	Other taxes Payable	O&M and Capital Expenditures
Future Income Tax	Future Income Tax - Current	Account Analysis
Owing to Parent	Long Term Interest and Dividends	Actual
	Short Term Interest	Equal Allocation
	Other	General Services

AC010

FINANCIAL REPORTING

10.09

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Table 10.09 (a) NORTH/SOUTH ALLOCATION METHODS FOR FINANCIAL STATEMENTS

Continued:

STATEMENT CATEGORY	CATEGORY ITEM	ALLOCATION METHOD
Balance Sheet continued:		
Owing to Affiliates	ATCO Gas	Account Analysis
	ATCO Electric	Account Analysis
	ATCO Frontec	General Services
	ATCO I-TEK	General Services
Non Current Future Taxes	Future Income Taxes	Account Analysis
Other Deferred Credits	Other	Account Analysis
Long Term Debt	Long Term Debt	Actuals
Shareholders Equity	Preferred Shares	Actuals
	Common Shares	Actuals
	Retained Earnings	Determined by earnings less common dividends

Table 10.09 (b) NORTH/SOUTH PERCENTAGE ALLOCATION FOR FINANCIAL STATEMENTS

ALLOCATION METHOD	NORTH	SOUTH	TOTAL
Equal Allocation	50.00%	50.00%	100.00%
General Services	60.00%	40.00%	100.00%
Labour Costs	65.33%	34.67%	100.00%
O&M and Capital Expenditures	74.00%	26.00%	100.00%