



May 21, 1999

TransCanada Pipelines Tower
111 – 5th Avenue S.W.
Calgary, Alberta, Canada T2P 3Y6

tel 403-267-2422
fax 403-267-1074
email karyn_brooks@transcanada.com

Director of Research and Technical Activities
Financial Accounting Standards Board
File Reference No. 194-B
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
U.S.A.

Letter of Comment No: 100
File Reference: 1082-194R
Date Received: 6/8/99

Dear Sir:

TransCanada PipeLines Limited (TransCanada) is pleased to submit its comments in response to the Exposure Draft on the proposed Statement of Financial Accounting Standards, *Consolidated Financial Statements: Purpose and Policy*, (Statement) issued by the Financial Standards Accounting Board (FASB).

TransCanada is one of the largest energy services companies and carriers of natural gas in North America, with extensive operations in four principal lines of business: energy transmission, energy marketing, energy processing and international energy services. At December 31, 1998, TransCanada had assets in excess of CAD\$25 billion and revenues of CAD\$17 billion. TransCanada is a SEC registrant.

General Comments

TransCanada supports the FASB's efforts to clarify the proposed definition of control of an entity and to expand the implementation guidance outlined in the proposed consolidation policy and views expressed by the FASB in its October 1995 proposed statement.

We also recognize that this proposed Statement is a positive step toward harmonization of accounting standards. TransCanada is a strong supporter of initiatives aimed at harmonization of accounting standards in Canada, the United States and internationally, to the extent possible, to eliminate differences in generally accepted accounting principles.

In response to the specific issues outlined in the Exposure Draft, TransCanada has the following comments.

Definition of Control and Its Implementation Guidance

Issue 1

TransCanada agrees that the revised definition, together with the discussion of the characteristics of control and descriptive guidance, help clarify when one entity controls another entity.

The revised definition and guidance should generally lead to common understandings and application of this Statement's definition of control. TransCanada continues to believe that control for a business enterprise can only be objectively determined by reference to legal control, as evidenced by majority ownership and related participation on the governing board. While TransCanada supports the FASB's conclusion that control alone (i.e., without a specified level of ownership) is a sufficient and appropriate condition for requiring consolidated financial statements, reliance on effective control as the criterion on which to require consolidation introduces subjectivity and increases the risk of inconsistent application of the proposed Statement.

Issue 2

TransCanada agrees that guidance for applying the definition of control will be necessary. As noted above, since control alone would be the condition requiring consolidated financial statements, we believe that professional judgement will need to be exercised in applying this proposed Statement.

TransCanada believes that the proposed presumptions of control outlined in paragraphs 18 through 21 would be helpful in providing guidance for purposes of applying the proposed definition of control. However, we do not agree that each of the four proposed presumptions of control would provide a sufficiently strong and reasonable basis for presuming control in the absence of evidence to the contrary.

TransCanada agrees that where an entity has a majority voting interest in the election of a corporation's governing body or a right to appoint a majority of the members of its governing body, there is compelling evidence pointing to control.

However, in the case of the three other proposed rebuttal presumptions, TransCanada disagrees that these circumstances provide a reasonable basis for concluding one entity controls another entity in the absence of evidence that demonstrates or proves otherwise. TransCanada does not believe that the remaining three rebuttal presumptions in and of themselves should necessarily determine if control exists. In some situations, further evidence may be sought to determine if a parent company has the ability to increase the benefits and limit the losses from ongoing activities of a subsidiary. TransCanada suggests that these three circumstances be provided as guidance but not rebuttal presumptions.

In particular, TransCanada is concerned with the suggestion that it is appropriate to presume control exists where an investor is the only general partner in a limited partnership and no other partner or organized group of partners has the current ability to dissolve the limited partnership or otherwise remove the general partner. Similar to the views held by the dissenting FASB member, we believe the situation is "overreaching because its presumption of control depends on the assumed inaction of the limited partners in situations in which their current ability to remove the general partner is uncertain and untested". In most instances, a general partner obtains its interest in a limited partnership for a relatively nominal investment or financial stake, particularly where managerial expertise is the general partner's primary contribution to the partnership. The general partner, therefore, is in substance no more than a manager for the limited partnership. In fact, TransCanada has an affiliate which acts as the general partner of a limited partnership in which we have concluded that the circumstances indicate our affiliate has joint control over the direct use of the assets and activities of the partnership. Requiring consolidation in this instance would not be reasonable.

Transition and Implications for Interim Reporting

Issue 3

TransCanada agrees with the requirement for restatement of comparative financial statements, including interim periods.

TransCanada hopes that its comments will be useful to the FASB in its continued deliberations on this subject.

Yours very truly,



Karyn A. Brooks
Vice-President & Controller

KAB:ae