



July 5, 2010

Lise Croteau
Vice President, Accounting and Control

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International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

**Re: Comments on Exposure Draft –
*Conceptual Framework for Financial Reporting: The Reporting Entity***

Dear Sir/Madam:

Hydro-Québec is a major North American producer, transmission provider and distributor of electricity, operating mainly in the province of Québec, Canada. Its sole shareholder is the Québec government. Like most Canadian publicly accountable enterprises, Hydro-Québec will adopt the International Financial Reporting Standards (IFRS) effective January 1, 2011.

We endorse the proposal to improve the conceptual framework by introducing the concept of the reporting entity and we generally agree with the IASB's proposed description of a reporting entity. Our detailed responses to the questions posed in the Exposure Draft are attached.

On behalf of Hydro-Québec, thank you for giving us this opportunity to respond to the Exposure Draft *Conceptual Framework for Financial Reporting: The Reporting Entity*.

If you would like to discuss any aspects of this comment letter in more detail, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lise Croteau'.

Lise Croteau, FCA
Vice President, Accounting and Control
Hydro-Québec

Exposure Draft *Conceptual Framework for Financial Reporting: The Reporting Entity*
March 2010

Question 1

Do you agree that a reporting entity is a circumscribed area of economic activities whose financial information has the potential to be useful to existing and potential equity investors, lenders and other creditors who cannot directly obtain the information they need in making decisions about providing resources to the entity and in assessing whether the management and the governing board of that entity have made efficient and effective use of the resources provided? (See paragraphs RE2 and BC4–BC7.) If not, why?

Yes, we agree with this description of a reporting entity for business entities in the private sector.

The discussion paper specified that the IASB and the FASB will eventually consider the applicability of the concepts to business entities in the public (governmental) sector. Since Hydro-Québec is a government corporation with certain rate-regulated activities, our users are not limited to our equity investor, the Québec government, and more specifically the Québec Minister of Finance, but also include the population of the province of Québec. These users all have access to Hydro-Québec's consolidated financial statements and to the financial statements of our first-rank subsidiaries. We are of the opinion that, to be applicable to public-sector businesses, the term "users" should be broadly defined to include both the public and customers.

Question 2

Do you agree that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements? Do you agree with the definition of control of an entity? (See paragraphs RE7, RE8 and BC18–BC23.) If not, why?

Yes, we agree that if an entity that controls one or more entities prepares financial reports, it should present consolidated financial statements.

However, we think that some circumstances could lead entities to present parent-only financial statements and IAS 27, *Consolidated and Separate Financial Statements*, allows for such statements if certain criteria are met. We think that the conceptual framework should not take a position on this aspect if a standard allows this treatment in particular circumstances. We also think that the phrase "[...] if they are presented together with consolidated financial statements" should be deleted from paragraph RE11.

We agree with the definition of control of an entity. It is a broad definition of control in the conceptual framework and the control will be specifically defined, including exclusions, at the standards level.

Question 3

Do you agree that a portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity? (See paragraphs RE6 and BC10.) If not, why?

Yes, we agree that a portion of an entity could qualify as a reporting entity if the economic activities of that portion can be distinguished from the rest of the entity and financial information about that portion of the entity has the potential to be useful in making decisions about providing resources to that portion of the entity.

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Question 4

The IASB and the FASB are working together to develop common standards on consolidation that would apply to all types of entities. Do you agree that completion of the reporting entity concept should not be delayed until those standards have been issued? (See paragraph BC27.) If not, why?

We agree that completion of the reporting entity concept should not be delayed until consolidation standards have been issued.