December 8, 2015

Financial Accounting Standards Board
Technical Director
File Reference No. 2015-300, FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
UNITED STATES

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. In Québec, the transmission and distribution of electricity are regulated by the Régie de l’énergie, which sets rates on the basis of cost of service plus a reasonable return on the rate base.

On behalf of Hydro-Québec, I thank you for giving us the opportunity to comment on the Board’s Exposure Draft entitled Proposed Amendments to Statement of Financial Accounting Concepts No. 8, Conceptual Framework for Financial Reporting, Chapter 3: Qualitative Characteristics of Useful Financial Information.

In our view, the proposed amendments do not improve Concepts Statement No. 8. Attached is our detailed response to the question in the exposure draft.

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

Yours sincerely,

Lise Croteau, FCPA, FCA
Executive Vice President and Chief Financial Officer

Encl.
Proposed Amendments to Statement of Financial Accounting Concepts No. 8
Conceptual Framework for Financial Reporting

Chapter 3: Qualitative Characteristics of Useful Financial Information
Comments to be received by December 8, 2015

Do the proposed amendments improve Concepts Statement 8? If so, how? If not, why?

In our opinion, the proposed amendments do not improve the conceptual framework. Materiality may be a legal concept but the concept should be defined in accordance with accounting standards. Indeed, materiality allows entities to determine if information is relevant for purposes of disclosure and presentation in financial statements.

We believe that amending the definition of the concept of materiality will increase the workload for preparers of financial statements. Stating that materiality is a legal concept would imply the need for careful observation by preparers of financial statements of the latest interpretations of the U.S. Supreme Court as well as of the supreme courts of other jurisdictions in order to ascertain whether the concept has been amended. It would be preferable for the FASB to issue a definition of this concept in an accounting context in order to effectively establish the relevance of information disclosed or to be disclosed in financial statements. With this approach, the definition issued may be harmonized with legal interpretations, such as the interpretation of the U.S. Supreme Court in *TSC Industries, Inc. v. Northway, Inc.*

Furthermore, the fact that the conceptual framework is based on a legal concept would result in additional difficulty for Canadian companies, like Hydro-Québec, which apply U.S. GAAP. Canada’s legal definitions could differ from those of the United States, possibly leading to different interpretations of the concept of materiality, thereby making the information to be disclosed not comparable among the various entities.

Consequently, we reiterate that the Board should issue a definition of the concept of materiality.