Re: Comments on the Board’s Exposure Draft, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting

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. In the course of its operations, Hydro-Québec carries out transactions that expose it to certain risks, such as currency risk, interest rate risk and risk associated with energy and aluminum prices. Exposure to such risks and the impact on results are reduced through careful monitoring and implementation of strategies that include the use of derivative instruments and hedge accounting.

The impacts of this Exposure Draft entitled “Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting” are very limited on Hydro-Québec hedging strategies. However, we use this opportunity to mention to the Board that we fully support its proposal to ease the potential burden in accounting for reference rate reform on final reporting. We appreciate that the Board continue simplifying the application hedge accounting guidance and improving the financial reporting of hedging relationships to better portray the economic results of the entity’s risk management activities in its financial statements.

Sincerely,

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