



March 13, 2012

Lise Croteau
Vice President, Accounting and Control

Hydro-Québec
75 René-Lévesque Blvd. West
6th floor
Montréal, Québec H2Z 1A4

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

Dear Sir/Madam,

Re: Comments on Exposure Draft *Revenue from Contracts with Customers*

Hydro-Québec is a major producer, transmission provider and distributor of electricity in North America, and the Québec government is its sole shareholder. Hydro-Québec generates, transmits and distributes electricity mainly in the province of Québec in Canada. In Québec, 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, we thank you for providing us with the opportunity to comment on your Exposure Draft entitled *Revenue from Contracts with Customers*.

Hydro-Québec agrees with the project objectives to improve comparability of revenue recognition practices across industries and capital markets, and to clarify the principles for recognizing revenue. Overall, we support the recommendations of this second exposure draft on revenue recognition, but our main concern is that the proposed disclosure requirements in interim financial reports are too extensive.

Please find enclosed our detailed responses to the questions in the Exposure Draft.

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 black ink, appearing to read 'Lise Croteau'.

Lise Croteau, FCA
p.j.

Exposure Draft
Revenue from Contracts with Customers
Comments to be received by 13 March 2012

Question 1: Paragraphs 35 and 36 specify when an entity transfers control of a good or service over time and, hence, when an entity satisfies a performance obligation and recognises revenue over time. Do you agree with that proposal? If not, what alternative do you recommend for determining when a good or service is transferred over time and why?

We agree with the proposal. We are of the opinion that paragraphs 35 and 36 are sufficient to determine when the control of a good or service is transferred over time.

Question 2: Paragraphs 68 and 69 state that an entity would apply IFRS 9 (or IAS 39, if the entity has not yet adopted IFRS 9) or ASC Topic 310 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. The corresponding amounts in profit or loss would be presented as a separate line item adjacent to the revenue line item. Do you agree with those proposals? If not, what alternative do you recommend to account for the effects of a customer's credit risk and why?

We agree with the proposal to apply IFRS 9 to account for amounts of promised consideration that the entity assesses to be uncollectible because of a customer's credit risk. However, we do not agree that any impairment of a receivable (or change in the measurement of an impairment) should be presented in profit or loss as a separate line item adjacent to the revenue line item. We are of the opinion that management of the credit risk should be presented with other expense items, even if the receivable does not include a significant financing component. There will be no comparability between entities that enter into contracts with a significant financing component and entities that do not include this component at inception. Furthermore, the revenue recognized in a particular period as well as the impairment losses recognized in that period will not necessarily be related.

Question 3: Paragraph 81 states that if the amount of consideration to which an entity will be entitled is variable, the cumulative amount of revenue the entity recognizes to date should not exceed the amount to which the entity is reasonably assured to be entitled. An entity is reasonably assured to be entitled to the amount allocated to satisfied performance obligations only if the entity has experience with similar performance obligations and that experience is predictive of the amount of consideration to which the entity will be entitled. Paragraph 82 lists indicators of when an entity's experience may not be predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations. Do you agree with the proposed constraint on the amount of revenue that an entity would recognise for satisfied performance obligations? If not, what alternative constraint do you recommend and why?

We agree with the proposed constraint on the amount of revenue that an entity would recognize for satisfied performance obligations.

Question 4: For a performance obligation that an entity satisfies over time and expects at contract inception to satisfy over a period of time greater than one year, paragraph 86 states that the entity should recognise a liability and a corresponding expense if the performance obligation is onerous. Do you agree with the proposed scope of the onerous test? If not, what alternative scope do you recommend and why?

We agree with the principle, but have a concern regarding contracts that are not satisfied over time. If a contract to be performed over a period of less than one year is signed by the end of a reporting period and it is an onerous contract, and there are no related assets by the end of the reporting period, we understand that there will be no liability to recognize. We further understand that IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, will not be applicable in this situation because of the new exclusion in D21(b).

Question 5: The boards propose to amend IAS 34 and ASC Topic 270 to specify the disclosures about revenue and contracts with customers that an entity should include in its interim financial reports.* The disclosures that would be required (if material) are:

- The disaggregation of revenue (paragraphs 114 and 115)
- A tabular reconciliation of the movements in the aggregate balance of contract assets and contract liabilities for the current reporting period (paragraph 117)
- An analysis of the entity's remaining performance obligations (paragraphs 119–121)
- Information on onerous performance obligations and a tabular reconciliation of the movements in the corresponding onerous liability for the current reporting period (paragraphs 122 and 123)
- A tabular reconciliation of the movements of the assets recognised from the costs to obtain or fulfil a contract with a customer (paragraph 128). Do you agree that an entity should be required to provide each of those disclosures in its interim financial reports? In your response, please comment on whether those proposed disclosures achieve an appropriate balance between the benefits to users of having that information and the costs to entities to prepare and audit that information. If you think that the proposed disclosures do not appropriately balance those benefits and costs, please identify the disclosures that an entity should be required to include in its interim financial reports.

We do not agree that all these disclosures should be made. We are of the opinion that the disaggregation of revenue is sufficient in the interim financial reports. If there are significant events or transactions during the period, IAS 34.15 already specifies that an entity must include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.

Question 6: For the transfer of a non-financial asset that is not an output of an entity's ordinary activities (for example, property, plant and equipment within the scope of IAS 16 or IAS 40, or ASC Topic 360), the boards propose amending other standards to require that an entity apply (a) the proposed requirements on control to determine when to derecognise the asset, and (b) the proposed measurement requirements to determine the amount of gain or loss to recognise upon derecognition of the asset.* Do you agree that an entity should apply the proposed control and measurement requirements to account for the transfer of non-financial assets that are not an output of an entity's ordinary activities? If not, what alternative do you recommend and why?

We agree that an entity should apply the proposed control and measurement requirements to account for the transfer of non-financial assets that are not an output of an entity's ordinary activities. However, we cannot take a definite position until we have read the proposed amendments to the standards in question.

Other

We would like to have an illustrative example of situations covered in IFRIC 18, *Transfer of Assets from Customers*, that will be superseded.