BC hydro

FOR GENERATIONS

January 23, 2009

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

Dear Sir or Madam:

British Columbia Hydro and Power Authority (BC Hydro) is pleased to submit its comments in response to the Invitation to Comment on the Exposure Draft on *Additional Exemptions for First-time Adopters, Proposed amendments to IFRS 1* as issued by the International Accounting Standards Board (IASB).

BC Hydro is a Crown corporation of the Province of British Columbia and is mandated to generate, manufacture, distribute and supply power to residents and businesses in the province. BC Hydro is subject to regulation by the British Columbia Utilities Commission which, among other things, approves the rates BC Hydro charges for its services.

Responses to each of the questions in the exposure draft are addressed below.

Question 1 – Deemed cost for oil and gas assets

Do you agree with the proposed deemed cost option for entities using full cost accounting under previous GAAP? Why or why not? If not, what alternative do you propose and why?

We have no comments on this issue.

Question 2 – Oil and gas assets – disclosure

Do you agree with the proposed disclosure requirements relating to the deemed cost option for oil and gas assets? Why or why not?

We have no comments on this issue.

Question 3 – Deemed cost for operations subject to rate regulation

Do you agree with the proposed deemed cost option for entities with operations subject to rate regulation? Why or why not? If not, what alternative do you propose and why?

We agree with the proposed deemed cost option for entities with operations subject to rate regulation. However, we are concerned with the ability to utilize this exemption based on the wording proposed in the exposure draft.

Paragraph 19B states that "…a first-time adopter may elect to use the carrying amount of [some items of property, plant and equipment] at the date of transition to IFRSs if it is otherwise impracticable (as defined in IAS 8) to meet the requirements of this IFRS". If one interprets the "requirements of this IFRS" to be IFRS 1, paragraph 16-19 outlines the fair value or revaluation as deemed cost exemption. However, this is an optional exemption under IFRS 1, and similar to all other exemptions, there is no impracticability criterion attached to them. This additional criterion imposes a significant challenge in order satisfy the requirements necessary to apply this exemption.

Paragraph BC10 in the Basis for Conclusions to the exposure draft appears to acknowledge the challenges that rate regulated entities would have in either retrospectively restating items of property, plant and equipment in question or using the existing exemption in paragraph 16 of IFRS 1 (fair value as deemed cost); stating that "Both of these alternatives are often impracticable". Furthermore, the cost of having to either retrospectively restate or derive fair values of property, plant and equipment under the proposed exemption would appear to far outweigh the benefits.

Paragraph BC12 also acknowledges that "…first-time adopters with operations subject to rate regulation have previously accounted for property, plant and equipment largely in accordance with the historical cost model of IAS 16"; and therefore, "The Board concluded that the cost and effort required to achieve total compliance in this area for the purposes of preparing an entity's first IFRS financial statements is not warranted to meet the objective of providing a suitable starting point for accounting under IFRSs". Given this understanding, it is further questionable as to the necessity of applying the impracticability criterion to the proposed deemed cost exemption. We therefore recommend the removal of the impracticability criterion from this exemption.

Impairment Testing
The proposed election requires an entity to test each item for which the exemption is used for impairment in accordance with IAS 36. Similar to the impracticability criterion, no other IFRS 1 exemption appears to require specific impairment tests to be performed. Furthermore, we believe that the requirement to test "each item" is more onerous than the requirements under IAS 36 whereby an evaluation of a cash generating unit may be more appropriate. Finally, as rate-regulated entities typically account for property, plant and equipment on a historical cost basis to reflect the related recovery of these costs through rates, it is questionable to necessitate an impairment testing requirement within this exemption. We would therefore recommend that the impairment testing requirement be removed.

Extension of Exemption to Intangible Assets
In many cases, rate-regulated entities will have operating assets that are classified as intangible assets as opposed to property, plant and equipment (e.g. right of ways, software). These intangibles would also follow the historical cost model as other operating assets classified as property, plant and equipment. Therefore, we recommend that the proposed exemption be extended to include intangible assets.

Question 4 – Leases

Do you agree with the proposal not to require the reassessment of whether an arrangement contains a lease in the circumstances described in this exposure draft? Why or why not?

We agree with this proposal in principle, but believe that the requirement for the previous GAAP and IFRIC 4 to have identical transitional provisions before being able to apply the exemption is too onerous. If an entity applied previous GAAP requiring a determination identical to that required by IFRIC 4, we recommend that the IASB allow entities to retain those assessments performed under previous GAAP even if the transitional provisions are not identical to IFRIC 4.

Question 5 – Assessments under previous GAAP before the date of transition to IFRSs

Do you agree that the situation referred to in Question 4 is the only one in which additional relief of this type is needed? If not, in what other situations is relief necessary and why?

We have no comments on this issue.

In closing, we believe that the proposed changes as reflected in our comments would provide effective and practical relief in the corresponding areas impacted. In consultation with our peers, we believe that our comments are strongly aligned with concerns raised by other rate-regulated entities.

Any additional relief proposed under IFRS 1 would be most beneficial if it were to be provided on a timely basis. We would therefore request the IASB to issue the final amended IFRS 1 as soon as possible.

Please contact us if you have any questions or would like to discuss any of these matters.

Regards,

Charles Reid
Executive Vice President, Finance and Chief Financial Officer