



December 8, 2015

Financial Accounting Standards Board
Technical Director
File Reference No. 2015-310, FASB
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UNITED STATES

Lise Croteau
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CANADA

Dear Sir/Madam:

Re: Comments on the Board's Exposure Draft *Proposed Accounting Standards Update, Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material*

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 Accounting Standards Update, Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material*.

We support the Financial Accounting Standards Board's objective of improving the effectiveness of the information provided to financial statement users. However, as we mentioned in our comment letter on the *Proposed Amendments to Statement of Financial Accounting Concepts No. 8, Conceptual Framework for Financial Reporting, Chapter 3: Qualitative Characteristics of Useful Financial Information*, we are of the opinion that the Board should issue a definition of the concept of materiality. Materiality may be a legal concept but this concept should be defined in accordance with accounting standards.

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.

However, we do agree with the proposed amendments that would change the disclosure requirements for each of the ASC topics so they would be less prescriptive. Phrases like "an entity shall at a minimum provide" should be eliminated from the *Accounting Standards Codification*, unless the Board absolutely believes the information should be disclosed. We could then eliminate disclosures about certain topics, which have currently been included only because of the minimum requirements under the ACS. This proposed amendment will place greater emphasis on matters that are most useful to financial statement users.

We also agree with the proposed amendment that would state that immaterial omissions are not considered to be accounting errors. It is already inferred in the concept of materiality that immaterial information does not need to be disclosed. It is therefore logical to think that such an omission would not be considered a financial statement error. This amendment would clarify the concept involved.

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