BRITISH COLUMBIA UTILITIES COMMISSION

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ORDER NUMBER G-93-13

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

Application by British Columbia Hydro and Power Authority
for Approval to Include the Impacts of the Transition to International Financial Reporting Standards
in F2012 on the Accounting for Mass Asset Retirements and Asset Componentization in the
International Financial Reporting Standards Property Plant and Equipment Regulatory Account

BEFORE: L.F. Kelsey, Commissioner
C.A. Brown, Commissioner
B.A. Magnan, Commissioner
D.M. Morton, Commissioner
C. van Wermeskerken, Commissioner

June 13, 2013

O R D E R

WHEREAS:

A. On May 3, 2013, British Columbia Hydro and Power Authority (BC Hydro) filed an application for approval to add to the International Financial Reporting Standards (IFRS) Property Plant and Equipment (PP&E) Regulatory Account the impacts of the transition to IFRS in F2012 on the accounting for mass asset retirements and asset componentization (Application);

B. BC Hydro is adopting IFRS for F2013 and is also required to restate its balance sheet at April 1, 2011 (Transition Date) to conform to IFRS and to provide comparable financial statements in IFRS for F2012. The IFRS adjustments due to the restatement of the April 1, 2011 balance sheet at the Transition Date and the IFRS adjustments for the F2012 transactions are the total adjustments required to the opening balances on the financial statements at the beginning of F2013;

C. BC Hydro discussed the impacts of the adoption of IFRS on its financial statements in its Amended F2012-F2014 Revenue Requirements Application (ARRA), and requested the approval of a new regulatory account, the IFRS PP&E Regulatory Account;

D. BC Hydro advised in sections 7.6.1 and 8.14 of the ARRA, and also in responses to Information Requests on the ARRA, that there would be additional impacts to BC Hydro's financial statements due to the transition to IFRS in F2012, that these impacts would be reflected in adjustments to the F2013 opening balances on the

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financial statements, and that it anticipated deferring these impacts in a regulatory account in order to seek recovery of the amounts at a later date;

E. On June 20, 2012, the Commission issued Order G-77-12A, approving, pursuant to Direction No. 3, the approvals requested in BC Hydro's ARRA, including the establishment of the IFRS PP&E Regulatory Account;

F. On October 25, 2012, BC Hydro reported to the Commission on the additional impacts on its financial statements as a result of the transition to IFRS in F2012, including the impacts on the accounting for mass asset retirements and asset componentization;

G. On April 10, 2013, the Commission issued a letter to BC Hydro, indicating that all amounts identified in BC Hydro's Report of October 25, 2012 under Attachment 1 "IFRS Adoption Impacts not deferred in the F12-F14 Amended Revenue Requirements Application" were approved for additions into the identifed regulatory/deferral accounts pursuant to previous Commission orders, except for the $25.4 million Mass Asset Retirements Provision and the $7.2 million Component Expense for Capitalization, and invited BC Hydro to apply for deferral of these impacts;

H. The Commission has reviewed the Application and considers approval to be reasonable.

NOW THEREFORE pursuant to sections 59-61 of the *Utilities Commission Act*, the Commission:

1. Authorizes British Columbia Hydro and Power Authority to add to the International Financial Reporting Standards (IFRS) Property Plant and Equipment (PP&E) Regulatory Account the impacts of the transition to IFRS in F2012 on the accounting for mass asset retirements and asset componentization.

2. Makes no determination on the recoverability, through rates, of amounts included in the IFRS PP&E Regulatory Account at this time and affirms that all amounts included in the IFRS PP&E Regulatory Account may be subject to a prudency review at a future date.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of June 2013.

BY ORDER

Original Signed By:

D.M. Morton
Commissioner