



June 28, 2016

VIA EMAIL

Adrian Dix, MLA
Vancouver-Kingsway
5022 Joyce Street
Vancouver, B.C. V5R 4G6

Dear Mr. Dix,

Re: BC Hydro Revenue Reporting

Thank you for your recent letter, received by my Office on June 13, 2016, in which you are inquiring about the method by which BC Hydro reports its revenue. You have posed three specific questions for me to consider.

- 1. Does the recording of future, unapproved revenue by BC Hydro fail to meet generally accepted accounting standards for revenue recognition?*
- 2. If the answer to this question is yes, what corrective action is required to the Public Accounts for 2014/15 and for the 2015/16 Public Accounts which are under development?*
- 3. If the answer is yes, what corrective action is required to the 2016/17 budget?*

The annual financial statement audit of BC Hydro is conducted by a private-sector firm. Notwithstanding this, my Office conducts extended audit procedures to better understand the business of, the issues in, and the audit risk involved with BC Hydro. These extended audit procedures include attending audit committee meetings and reviewing the appointed auditor's audit plans and year-end audit files. As well as providing us with information about BC Hydro, these audit procedures also allow us to determine if the audit work is sufficient for me to form an opinion on government's summary financial statements. To this end, we are currently finalizing our annual financial statement audit of government's summary financial statements for the year ended March 31, 2016, and expect to send our audit opinion thereon to the Legislative Assembly in the coming weeks.

The areas of concern that you raise however, go beyond those which we would consider in a financial statement audit. As you noted in your letter, in 2011 our Office published a report about BC Hydro's use of rate-regulated accounting. Our Office did follow up¹ on this report in 2014 where we concluded that we were encouraged by BC Hydro's progress in implementing our recommendation related to the recovery plans for regulatory accounts balances, but the risk remains as to the certainty of the forecasted balances of the regulatory accounts.

¹ [Follow-up Report: Updates on the implementation of recommendations from recent reports, June 2014](#)

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The actual balance for each regulatory account could be significantly higher, or lower, in future years, thereby causing BC Hydro's planned revenue requirements to change, and ultimately impact customers' rates.

We are committed to monitoring BC Hydro's use of rate-regulated accounting, including actual performance and management of regulatory account balances. The specific questions that you have raised and topic it relates to are of interest, and will be considered during the preparation of our three-year Performance Audit Coverage Plan which will be reviewed and updated, and published this summer.

Thank you for bringing this matter to my attention.

Yours truly,



Carol Bellringer, FCPA, FCA
Auditor General

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