



February 1, 2018

Financial Accounting Standards Board
Technical Director
File Reference No. 2018-200
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
United States

Lise Croteau
Executive Vice President and
Chief Financial Officer
Hydro-Québec
75 René-Lévesque Blvd. West, 6th floor
Montréal (Québec) H2Z 1A4
Canada

Dear Sir/Madam:

Re: Comments on the Board's Exposure Draft, *Leases (Topic 842) — Targeted Improvements*

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 *Leases (Topic 842) — Targeted improvements*.

We support the Financial Accounting Standards Board's objective to reduce the costs and complexity associated with the implementation of Topic 842. Attached are our responses to the questions in the exposure draft.

Should you wish to discuss any aspects of this comment letter in greater detail, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads 'Lise Croteau'.

Lise Croteau, FCPA, FCA
Executive Vice President and Chief Financial Officer

Encl.

Proposed Accounting Standards Update
Leases (Topic 842)
Targeted Improvements

Transition – Comparative Reporting at Adoption

Question 1: Would the proposed optional transition method to apply the new lease requirements through a cumulative-effect adjustment in the period of adoption reduce the costs and complexity associated with implementing Topic 842? If not, please explain why.

Yes, we believe the proposed optional transition method would result in a reduction in the costs and complexity associated with data gathering, retrospective reporting and additional disclosures. Furthermore, this proposed optional transition method more closely aligns with one of the transition options in IFRS 16, for which we also have reporting requirements.

Question 2: Is the proposed transition method, as written in this proposed Update, operable? If not, please explain why.

Yes, we believe the proposed transition method is operable.

Separating Components of a Contract

Question 3: Would the practical expedient in this proposed Update for lessors to not separate nonlease components from the related lease components and, instead, to account for those components as a single lease component reduce the costs and complexity associated with applying Topic 842 by lessors? If not, please explain why.

Yes, we believe this proposed practical expedient would result in a reduction in the costs and complexity associated with applying Topic 842.

Question 4: Is the proposed practical expedient, as written in this proposed Update, operable? If not, please explain why.

Yes, we believe the proposed practical expedient is operable.

Question 5: Would the information in the financial statements, including disclosures, provided by lessors electing the practical expedient in this proposed Update be decision useful? If not, please explain why.

Yes, we believe the information would be decision useful.