

## BC Hydro: The Effects of Rate-Regulated Accounting

Released: [October 2011](#)

1st Follow-up: [March 2012](#)

Discussed by the Public Accounts Committee: [November 25, 2011](#)

### Self-assessment conducted by Ministry of Energy and Mines (February 27, 2012)

As noted in the Ministry's response to the Auditor General's Report 8, 2011, and in the presentation to the Select Standing Committee on Public Accounts, the establishment and retention of rate regulated accounting is a policy choice that government has made to maintain rate stability. Both the establishment and clearance of regulatory accounts are subject to approval by the BC Utilities Commission (Commission).

Approximately one-half of the growth in deferral accounts projected over the next five years is related to capital-like accounts for items like demand-side management programs, Site C, and smart metering and infrastructure, where costs are deferred and recovered over the life of the assets that provide benefits to ratepayers. The other half of the increase is related to the adoption of International Financial Reporting Standards (IFRS), where items like overhead, currently on the balance sheet under property, plant and equipment, will now be recovered over the life of the assets through a regulatory account, and the different treatment of pension costs, which will be recovered over 20 years.

### Recommendations

RECOMMENDATION AND SUMMARY OF PROGRESS	SELF-ASSESSED STATUS
<p><b>Recommendation 1:</b> Determine, at the earliest opportunity, how BC Hydro will recover the net deferred costs in its regulatory accounts..</p> <p><b>Actions taken, results and/or actions planned</b></p> <p>BC Hydro's regulatory accounts and the recovery of net deferred costs will be reviewed as part of BC Hydro's Revenue Requirements Application (RRA), which is currently before the Commission. A plan for the recovery of regulatory accounts during the test period was included in BC Hydro's amended RRA.</p>	<p><b>Partially implemented</b></p>
<p><b>Recommendation 2:</b> Prescribe that the annual financial statements for BC Hydro be prepared fully in accordance with Canadian generally accepted accounting principles.</p> <p><b>Actions taken, results and/or actions planned</b></p> <p>The Ministry has consulted with the Office of Comptroller General, Ministry of Finance, which indicates it has no plans to recommend repeal Part 3 of Government Organization Accounting Standards Regulation (B.C. Reg. 257/2010) pending the ongoing review of rate regulated accounting guidance in IFRS.</p>	<p><b>No action taken</b></p>