



NEWS RELEASE

**For Immediate Release
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BC Hydro's deferred expenses now \$2.2 billion and rising

VICTORIA – Auditor General John Doyle has released his latest report, *BC Hydro: The Effects of Rate-Regulated Accounting*.

The report examines the implications of BC Hydro's use of rate-regulated accounting, which allows BC Hydro to establish deferral accounts into which it can “defer” expenses to future years. As of March 2011, a net total of \$2.2 billion in expenses had been deferred and, by government’s own estimate, the balance is predicted to grow to \$5 billion by 2017.

"There does not appear to be a plan to reduce the balance of these accounts, let alone halt their growth. Rate-regulated accounts must be managed carefully," said Doyle. "While the use of rate-regulated accounting is acceptable under existing Canadian generally accepted accounting standards, it can mask the true cost of doing business, create the appearance of profitability where none actually exists, and place undue burdens on future ratepayers."

Canada will be adopting international financial reporting standards (IFRS) in the coming year, which does not allow for deferral accounts. As such, expenses that are currently being deferred under rate regulation would be shown each year, bringing to the forefront the financial consequences of management decisions and highlighting the challenges that lie ahead. "Unfortunately, government is considering not moving BC Hydro to IFRS," said Doyle. "It is requiring BC Hydro to adopt part of an American accounting standard that allows rate regulation, abandoning the transparency that will be required by Canadian GAAP."

"The B.C. government has taken it upon itself to define BC GAAP, rather than following the standards set by the Canadian Accounting Standards Board," said the Auditor General. "It concerns me that government is willing to override the due process that is involved in the setting of Canadian accounting standards, and instead legislate an accounting result that will have a significant impact on both the financial statements of BC Hydro and the Province."

About the Office of the Auditor General of B.C.

The Auditor General is a non-partisan, independent Officer of the Legislature who reports directly to the Legislative Assembly. The *Auditor General Act* empowers the Auditor General and staff (known as the Office of the Auditor General or OAG) to conduct audits, report findings and make recommendations.

A backgrounder follows.

2011/12 Report 8 – *BC Hydro: The Effects of Rate-Regulated Accounting*

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