

- 1 Q. (a) What provision for salvage upon disposal of fixed assets has been
2 made in Hydro's 2002 capital budget and estimate of depreciation for
3 2002 (JCR, page 10, lines 19-22)?
4
- 5 (b) Provide the net salvage costs forecast for 2002 under each of option 1
6 and option 2 (JCR, pages 10 and 11).
7
- 8 (c) Provide a comparison of Hydro's proposed accounting treatment of
9 salvage costs with Hydro's previous accounting treatment of salvage
10 costs (JCR, pages 10 and 11).
11
- 12 (d) Provide details of any amounts that have been set aside as part of
13 depreciation expense or otherwise in the 2002 revenue requirement to
14 establish or accumulate in the depreciation reserve account (JCR,
15 page 11, lines 20-22).
16
- 17 A. (a) Page 10, lines 19 - 22 of JC Roberts' evidence discusses the
18 proposed treatment of the net salvage value for an asset with an
19 original acquisition cost in excess of \$500,000 and an estimated net
20 salvage value in excess of 10% of the original acquisition cost, which
21 is expected to be replaced after retirement by an asset of the same
22 nature at the same site.
23
- 24 There are no asset replacements meeting these criteria in Hydro's
25 2002 Capital Budget.

1 (b) There are no retirements in Hydro's 2002 Capital Budget which meet
2 the criteria for option 1 or option 2, therefore there are no anticipated
3 net salvage costs in 2002 under either option.

4
5 (c) The proposed options for the accounting treatment of salvage costs
6 do not have any dollar impact in 2002 as there are no planned asset
7 retirements or acquisitions which meet any of the criteria.

8
9 Previously, net salvage costs have been immaterial and have been
10 recognized in Hydro's income statement at the time incurred.

11
12 The proposed accounting treatment of significant salvage costs is to
13 amortize them over a longer period, either the life of the current asset,
14 the life of the replacement asset, or a separate 5 or 10 year period,
15 depending on the specifics of the situation.

16
17 (d) There have been no amounts set aside in 2002 to establish, or
18 accumulate in, a depreciation reserve account.