

1 Q. **Depreciation**

2 Exhibit 11 page 39 of 628. The statement “While Concentric Advisors notes that the  
3 use of the ELG procedure and accruing for cost of removal will ultimately eliminate  
4 the need to calculate gains and losses on most retirement transactions, it will take a  
5 number of years of use of the ELG procedure and cost of removal accrual before the  
6 tracking of gains and losses through IFRS 14 can be eliminated.” Please provide a  
7 specific reference or threshold for “a number of years” – how many years are  
8 contemplated and when would the transition be complete? Please confirm that  
9 there would come a time when no further gains or losses would need to be tracked  
10 whatsoever on ELG assets.

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13 A. This response has been provided by Concentric Advisors.

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15 The above quote relates to the fact that under group accounting concept gains and  
16 losses on ordinary retirements are not booked to an income statement account. As  
17 noted in Hydro’s response to IC-NLH-073, the use of the ELG procedure is expected  
18 to lessen the amount of gain or losses that would need to be tracked through an  
19 IFRS14 regulatory deferral account. Over time, as an increased number of vintages  
20 are subject to the ELG procedure the amount of gain/losses will likewise reduce.  
21 However, it is not possible to suggest that there will never be a gain or loss that  
22 will need to be tracked through IFRS 14, as there is always some probability that a  
23 large unexpected retirement event causes material amounts of retirement that are  
24 outside the range of retirements anticipated in the Iowa curve.

1           This question asks for an opinion as to when transition (to a reasonable  
2           expectation of no gains or losses) would be complete. This transition can only be  
3           complete when the Board approves that the transition to ELG should include all  
4           vintages and the ELG procedure on all vintages is incorporated for a number of  
5           years. The actual period will vary by account. Smaller accounts with fewer vintages  
6           will achieve the full transition sooner, whereas larger accounts with many decades  
7           of vintages will take at least two full depreciation rate studies (after transition of all  
8           vintages).