

1 Q. **Reference: Page 2.15.**

2 Please provide the accounting policy for critical spares. In particular, are these items
3 capitalized, held in inventory, depreciated, included in asset accounts for the
4 purpose of depreciation studies, etc?

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7 A. Hydro's policy is to capitalize critical spares when the items:

- 8 a) are used in the production or supply of goods and services, for rental to
9 others or for administrative purposes;
10 b) are expected to be used during more than one period; and
11 c) costs exceed \$50,000.

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13 Critical spares that do not meet the criteria above are classified as inventory.

14 Critical spares are not depreciated until they are put in service. Critical spares put in
15 service are depreciated over the shorter of its useful life and the useful life of the
16 asset to which it relates.