

1 Q. **Re: 9, Replace Fuel Oil Heat Tracing – Holyrood \$1,474,300 in 2012, \$1,413,900**
2 **in future years.**

3 Did Hydro apply to the Board, prior to the installation of the current system in 2002,
4 for approval of capital expenditures to implement the recommendations of the
5 vendor or another capital expenditure in 2000-2004, and if not, why not?
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8 A. No, Hydro did not apply for approval of capital expenditures to implement the
9 recommendations of the vendor. The EHT system was a subcomponent of the
10 bigger asset, the pipeline itself, and as such it was deemed to be an operating
11 expense at that time. Hydro has applied to capitalize this expenditure because a
12 substantial portion of the piping, the EHT system, is being replaced. Under IFRS,
13 parts of some items of property, plant and equipment may require replacement at
14 regular intervals. As long as the cost can be measured reliably and it is probable
15 that future economic benefits associated with the item will flow to the entity, these
16 replacements can be capitalized. The carrying amount of those parts that are
17 replaced will be derecognized and removed from the plant balances.