

1 Q. In implementing IFRS, are there any previously recognized capital costs which
2 require derecognition as a result of the new policy of capitalizing the inspection and
3 overhaul costs? If so, what are the details of these costs, and how will Hydro record
4 the amounts to be derecognized?

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7 A. Yes, there are previously recognized capital costs which require derecognition as a
8 result of the new policy of capitalizing the inspection and overhaul costs. This will
9 be done using the following process:

- 10 ■ identification of assets that are being overhauled or inspected;
- 11 ■ identification of the portion of the asset or assets to be retired based on
- 12 information provided by the asset manager;
- 13 ■ retirement of the portion of the asset using specifically identifiable costs and
- 14 net book value, where possible. If there is no indication of the original cost
- 15 of the portion of the asset being retired due to the overhaul or inspection,
- 16 the current cost of the overhaul or inspection will be discounted back using
- 17 the in service date of the asset being overhauled or inspected and the
- 18 Implicit Price Deflator for Canada for the appropriate period. This portion of
- 19 the asset cost will be retired and will be used to recalculate the net book
- 20 value of the retired portion at the time of retirement; and
- 21 • retirement of portion of the asset may result in a loss on disposal if the asset
- 22 is not fully depreciated.

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24 The estimated capital costs to be derecognized for inspection and overhaul costs
25 related to the 2012 Capital Budget are listed in the following table.

			Percentage			Estimated Original Cost	
		Assets to be	to be	Original	Net Book	to be	Loss on
	<u>Project Description</u>	<u>Overhauled or Inspected</u>	<u>Retired</u>	<u>Cost</u>	<u>Value</u>	<u>Derecognized</u>	<u>Disposal</u>
5	Overhaul Turbine/Generator Units - Granite Canal	Generator and Turbine	18%	866,589	839,168	155,986	151,050
6	Overhaul Turbine/Generator Units - Upper Salmon	Generator and Turbine	7%	1,963,874	1,803,250	137,471	126,228
7	Overhaul Unit 1 Turbine - Holyrood	Unit1 Generator and Turbine	23%	3,135,566	0	721,180	0
8	Condition Assessment and Life Extension Phase 2 -						
9	Holyrood	Boiler Structure	5%	3,985,821	0	199,291	0
10	Overhaul Diesel Units - Various Sites	Diesel Units - LBI 2058	22%	96,298	38,118	21,186	8,386
11	Overhaul Diesel Units - Various Sites	Diesel Units - RAM 2047	30%	267,898	64,742	80,369	19,423
12	Overhaul Diesel Units - Various Sites	Diesel Units - CHT 2079	18%	71,677	597	12,902	108
13	Overhaul Diesel Units - Various Sites	Diesel Units - PHS 2042	23%	117,183	11,718	26,952	2,695
14	Overhaul Diesel Units - Various Sites	Diesel Units - PHS 2073	22%	107,754	65,999	23,706	14,520
15	Overhaul Diesel Units - Various Sites	Diesel Units - SLE 2080	19%	123,889	86,206	23,539	16,379
16	Overhaul Diesel Units - Various Sites	Diesel Units - BKT 579	18%	99,635	73,896	17,934	13,301
17	Overhaul Diesel Units - Various Sites	Diesel Units - HPD 2054	36%	217,249	76,037	78,210	27,373
18	Overhaul Diesel Units - Various Sites	Diesel Units - MAK 2059	17%	127,852	50,608	21,735	8,603
19	Overhaul Diesel Units - Various Sites	Diesel Units - NAT 2076	0%	0	0	0	0
20	Overhaul Diesel Units - Various Sites	Diesel Units - POV 573	20%	122,009	48,295	24,402	9,659
21				\$11,303,294	\$3,158,636	\$1,544,863	\$397,725