

1 Q. [Fully Accrued] - Please provide the portions of Canadian GAAP that specifically
2 authorizes the ceasing of the recording of depreciation expense on assets that are
3 still in service for a regulated utility (not an unregulated entity), but where the
4 utility believes the asset is fully accrued and where the regulator of that utility has
5 authorized a specific depreciation rate applicable to those assets.

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8 A. Canadian GAAP does not specify accounting requirements specific to a regulated
9 entity. Canadian GAAP simply allows for a regulated entity to depart from GAAP in
10 its accounting where approved by the regulator as long as those departures are
11 appropriately disclosed in the notes to the financial statements.

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13 Canadian Institute of Chartered Accountants Handbook Section 3061 – Property,
14 Plant and Equipment paragraph 28 specifies that:

15 *“Amortization should be recognized in a rational and systematic manner*
16 *appropriate to the nature of an item of property, plant and equipment with*
17 *a limited life and its use by the enterprise. The amount of amortization that*
18 *should be charged to income is the greater of:*

- 19 (a) *The cost less salvage value over the life of the asset; and*
20 (b) *The cost less residual value over the useful life of the asset.”*

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22 This paragraph clearly outlines that amortization should not exceed cost.