

1 Q. [Reserve] Please identify any portion of under depreciation reserves Hydro will not
2 be recovering from customers in the future as it converts to IFRS. To the extent
3 there is any portion of the amount that Hydro believes it will not collect from
4 customers, provide all support and justification for such claim including all related
5 documents.

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8 A. Upon conversion to IFRS, Hydro chose an option available to first time adopters of
9 IFRS which allowed the recording of the existing net book value of its property,
10 plant and equipment as original cost under IFRS. IFRS 1 D8B states:

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12 *“Some entities hold items of property, plant and equipment or intangible*
13 *assets that are used, or were previously used, in operations subject to rate*
14 *regulation. The carrying amount of such items might include amounts that*
15 *were determined under previous GAAP but do not qualify for capitalisation in*
16 *accordance with IFRSs. If this is the case, a first time adopter may elect to use*
17 *previous GAAP carrying amount of such item at the date of transition to IFRSs*
18 *as deemed cost.”*

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20 As a result of choosing this option, there is effectively no under depreciation
21 recognized.