

1 Q. As clarification, what is the date that Hydro is requesting to implement revised
2 depreciation rates for accounting purposes? The data underlying the proposed
3 remaining lives appears to be as of December 31, 2009. This would imply an
4 implementation date of January 1, 2010. However, Appendix C of Hydro's Evidence
5 implies a January 1, 2011 implementation date. The present Application was filed in
6 December 2011. Will Hydro be seeking to retroactively book revised depreciation
7 rates back to January 1, 2011? If Hydro is seeking implementation in 2012, will the
8 proposed remaining lives and resulting rates be updated to reflect data as of
9 December 31, 2011?

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12 A. Hydro is requesting to implement revised depreciation rates for accounting
13 purposes effective January 1, 2012. The timing of the depreciation methodology
14 implementation can be viewed as follows:

- 15 • As part of the implementation of IFRS, there is a requirement to restate all
16 comparative 2011 balances upon adoption of IFRS. Given that Hydro has
17 reported regulatory information for 2011 and does not intend to restate
18 those periods, in its IFRS Application, Hydro has requested that the Board
19 grant approval that the 2011 transitional adjustments be recorded in its
20 2012 opening retained earnings.
- 21 • If the Board approves the recording of the transitional differences arising
22 from IFRS adoption as requested, it will create the effect as if Hydro had
23 implemented the new depreciation rates on January 1, 2011 and will result
24 in Hydro's financial records, including its 41,000 capital asset records, being
25 identical for IFRS and for regulatory purposes.

26 The service lives and rates will be updated periodically, generally every three to five
27 years. Given that the study was updated in 2010 based on 2009 data it is likely that
28 there will be an update in the 2013 to 2015 time period. There have been no
29 significant items identified to date that would require the proposed remaining lives
30 and resulting rates to be updated to reflect data as of December 31, 2011.