

1 Q. For clarification, does the original cost at December 31, 2009 shown in Exhibit 1,  
2 page III-4 of the 2009 depreciation study, reflect a restatement of original cost to  
3 net book value as permitted by IFRS? If no, does Hydro still plan to record a  
4 restatement? Will the restatement essentially put the reserve for each asset as  
5 zero? What impact will restating original cost have on depreciation expense? Does  
6 Hydro plan on restating its remaining life depreciation rates to reflect zero restated  
7 reserve? If no, please explain why not.

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10 A. The original cost at December 31, 2009 shown in Exhibit 1, page III-4 of the 2009  
11 depreciation study does not reflect a restatement of original cost to net book value.  
12 The original cost restatement to net book value occurred on January 1, 2011 as part  
13 of the implementation of IFRS. The restatement will put the reserve of each asset  
14 to zero. Restating original cost to net book value, in conjunction with moving from  
15 a whole life technique to a remaining life technique as part of the conversion to  
16 IFRS, in and of itself, results in no net change to depreciation expense.

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18 Given that any restatement will not change the net book value, and further given  
19 that depreciation expense calculated on a remaining life basis divides the net book  
20 value by the remaining life of the assets, the restatement will not drive a need to  
21 change the remaining life. Gannett Fleming notes that in the specific  
22 circumstances of a few accounts, the composite remaining life may be theoretically  
23 altered by a minor amount, however it is not estimated that any adjustments would  
24 be material.