

1 Q. For clarification, please explain in detail Hydro's current accounting approach for
2 gross salvage and cost of removal for financial accounting purposes.

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5 A. Gross salvage, or revenue received from the sale of an asset or materials, is
6 recorded as revenue for financial accounting purposes. Generally, the cost of
7 removal is expensed, however there are two exceptions that Hydro is accounting
8 for separately. In accordance with accounting guidelines, Hydro has recognized two
9 asset retirement obligations, namely, Holyrood dismantling and cleanup costs and
10 polychlorinated biphenyl (PCB) removals. These estimated obligations are recorded
11 as an addition to plant and as a liability. The related depreciation and accretion
12 amounts are being expensed.