Q. For clarification, please explain in detail Hydro's current accounting approach for gross salvage and cost of removal for regulatory purposes. Please describe if the Company plans to continue this accounting approach prospectively. If not, please describe the changes that Hydro is anticipating. Does Hydro currently or historically track gross salvage or cost of removal? If negative, is this something Hydro is planning on implementing? If yes, please explain when and how.

A. Gross salvage, or revenue received from the sale of an asset or materials, is recorded as revenue for both regulatory and financial accounting purposes. As a rule, cost of removal is generally expensed for both financial and regulatory reporting purposes, however there are two exceptions that Hydro is accounting for separately. In accordance with accounting guidelines, Hydro has recognized two asset retirement obligations (AROs), namely, Holyrood dismantling and cleanup costs and polychlorinated biphenyl (PCB) removals. The cost of these obligations have been estimated and are recorded as a liability. Depreciation and accretion amounts related to the obligation are being expensed. Hydro has applied to the Board for approval to accord the same treatment to AROs for regulatory reporting as is applied for financial reporting purposes.

Hydro tracks gross salvage and historical amounts are reported in the response to CA-NLH-26. Hydro has not historically tracked cost of removal but intends on doing so in the future. While Hydro's treatment of gross salvage and cost of removal is in accordance with IFRS, if negative net salvage is determined to be significant, consideration will be given to alternate regulatory treatment.