

1 Q. Historically, if a plant experienced an overhaul, how has Hydro accounted for the
2 new plant added? How has Hydro accounted for the plant replaced during the
3 overhaul? Is the historical accounting treatment expected to continue
4 prospectively or is the company planning on revising its accounting treatment? If
5 there are plans to revise the accounting treatment, please explain the new
6 accounting and when it is expected to be implemented.

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9 A. Major overhauls and inspections were previously expensed under Canadian GAAP.
10 Under IFRS, major overhauls and inspections are to be capitalized. When Hydro
11 converted to IFRS effective January 2011, the accounting treatment was revised. In
12 addition to the capitalization of the costs of the major overhauls and inspections,
13 Hydro also must retire a portion of plant representing the previous overhaul or
14 inspection.