

1 **PUB-IC-6** On pg. 19 Ms. Lee states that she does not agree with Hydro that it is
2 required under generally accepted accounting principles to cease
3 depreciation when the asset is fully recovered. Is it Ms. Lee's opinion that
4 carrying on with depreciation after the asset is fully recovered is compliant
5 with IFRS?

6 **RESPONSE:** As a non-accountant, yes. Ms. Lee opines that as long as the reserve for a given
7 account is less than 100 percent of the investment, the group or account is not
8 fully recovered and the assets contained in that account should continue to be
9 depreciated until full recovery is achieved. Consideration is not made for gross
10 salvage and cost of removal since Hydro has stated that gross salvage is
11 recorded as income and costs of removal, if any, are treated as a current
12 expense.

13 Ms. Lee notes that page 1 of the Executive Summary of the depreciation study
14 clearly shows that Hydro is proposing a group method of depreciation and not
15 unit depreciation. See also page 7. On page 11 of the depreciation study,
16 Gannett Fleming states that group depreciation is compliant with IFRS.
17 Response to CA-NLH-59 implies the group is each account or category under
18 study and contains more than a single item of property. Thus, it is the reserve of
19 the group that cannot exceed the original cost of the group. Each individual
20 asset within the group may be over recovered or under recovered at retirement;
21 the asset is retired at its original cost as though it is fully recovered. Depreciation
22 should not cease for any given individual asset until the reserve for the group or
23 account containing the given asset is fully depreciated.