

1 Q. Please provide an explanation of how the differences between 2011 and 2012
2 current and proposed depreciation impacts will be incorporated into Hydro's next
3 General Rate Application.

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6 A. In its 2011 IFRS application, Hydro requested that the Board order that the 2011
7 transitional differences arising from IFRS adoption be adjusted in the 2012 opening
8 retained earnings. As outlined in the response to IC-NLH-14, if the Board approves
9 the recording of the transitional differences arising from IFRS adoption as
10 requested, it will create the effect as if Hydro had implemented the new
11 depreciation rates on January 1, 2011 and will result in Hydro's financial records,
12 including its approximately 41,000 capital asset records, being identical for IFRS and
13 for regulatory purposes.

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15 It is anticipated that Hydro's next Test Year, for rate setting purposes, will be 2013.
16 Based on that assumption, the following table shows the flow-through of estimated
17 depreciation differences for 2011 and 2012 that will impact Hydro's Retained
18 Earnings and Rate Base calculations at the beginning of 2013.

	2011 ¹ (\$ millions)	2012 (\$ millions)
Income Statement Impacts		
Loss on Disposal of Property, Plant and Equipment	0.1	0.1
Amortization	(1.0)	0.3
Total Expense	(0.9)	0.4
Retained Earnings		
Beginning of Period	-	0.9
End of Period	0.9	0.5
Rate Base		
Capital Assets – End of Year Impact	0.9	0.5
Average Rate Base	0.5	0.7

¹ Refer to Hydro's IFRS application, Appendix B-2, filed December 23, 2011.