

1 Q. **Depreciation**

2 Exhibit 11, page 6 of 628. Please explain, with specific reference to IFRS accounting
3 standards (including IAS 16 (68)), the proposals in respect of gains and losses on
4 disposal and the future elimination of the need to book any such gains or losses. If
5 IFRS will not accommodate this approach, please provide a full description, and
6 illustrative examples, of the approach NLH proposes to track and/or reconcile any
7 such differences.

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10 A. Please refer to Hydro's responses for IC-NLH-072 and IC-NLH-073.

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12 Under IFRS, all differences that result from regulation are reported as a Regulatory
13 Adjustment on the Income Statement and as a Regulatory Asset or Liability on the
14 Balance Sheet. For illustrative purposes, in the event Hydro incurred a \$100 loss on
15 disposal, for external financial reporting purposes under IFRS, Hydro would record
16 the \$100 as a loss on disposal in 'Other Income and Expense' as well as a
17 corresponding credit of \$100 in the Regulatory Adjustment line which would result
18 in an impact of \$0 to net income. It will also be tracked as a component of
19 Regulatory liabilities on the balance sheet.