

1 Q. **Depreciation**

2 Exhibit 11, page 590 of 628 indicates “Within the current accounting system (JD
3 Edwards), each asset is described with a life estimate”. Please provide a definition
4 of the term “asset” as used in this quotation. For example, with respect to hydraulic
5 generation, would an asset be the generator assembly, or individual bearings,
6 windings etc. within the assembly, or something in between? How is this
7 breakdown determined?

8

9

10 A. Hydro's capitalization policy defines the term 'asset' as the property, plant, and
11 equipment which are tangible items that are held for use in the production or
12 supply of goods or services, for rental to others, or the administration purposes,
13 and are expected to have a useful life to Hydro of more than one year.

14

15 In accordance with IAS 16, an item of property, plant, and equipment is separated
16 into components/parts when the corresponding costs of those parts is significant in
17 relation to the total cost of the item of property, plant, and equipment. Significant
18 components of property, plant, and equipment are identified separately in JDE with
19 a specific asset number and appropriately assigned to a unit of property and related
20 balance sheet accounts.

21

22 An asset's componentization and hierarchy is determined based on its unit of
23 property, this is broken down further based on the description of this unit or
24 property and then subsequently leading into its components of units. For example,
25 in hydraulic production, a unit of property can be determined to be a Generator,
26 this becomes what is referred to as the parent asset. This is then broken down

- 1 further into significant components which may include rotors, stators, and stator
- 2 windings.