

1 Q. Further to response to Request for Information NP-NLH-149:

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3 How does Hydro propose to ensure the collection for net salvage through
4 depreciation rates through the life of the asset is properly accounted for when the
5 cost of removal is capitalized as part of the site preparation cost? Please explain
6 through the use of a detailed example.

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9 A. This response has been provided by Concentric Advisors.

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11 As described in the International Financial Reporting Standards (IFRS), to the extent
12 that the site preparation expenditure is required for the installation of a
13 replacement asset, the site preparation cost is to be included in the cost of the
14 replacement asset (IAS 16), and will be fully recovered over the life of the new
15 asset.

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17 As noted in Hydro's response to IC-NLH-159, the cost of removal percentages as
18 recommended in this application have been specifically adjusted to recognize the
19 fact that costs of removal of assets, in certain circumstances, are capitalized as part
20 of the preparation costs.