

1 Q. **Asset Retirement Obligation**

2 Hydro states "In 2012, Hydro continued to record and report, in the audited  
3 financial statements, AROs and corresponding expenses in accordance with  
4 Canadian GAAP."

5 a) Please explain this comment.

6 b) Please compare and contrast Asset Retirement Obligations under Canadian  
7 GAAP accounting policy to IAS 37.

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10 A. In Order No. P.U. 29(2012) the Board ordered that Hydro recognize and record  
11 asset retirement obligations and indicated that regulatory treatment of AROs would  
12 appropriately be considered within the context of a GRA. In 2012, Hydro continued  
13 to record and report in the audited financial statements, AROs and corresponding  
14 expenses in accordance with Canadian GAAP. Hydro had reported quarterly to the  
15 PUB and externally using the Canadian GAAP reporting standard which was  
16 consistent with prior years.

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18 Canadian GAAP and IFRS (IAS 37) are very similar in their accounting policies for  
19 AROs and corresponding expenses except for one main difference. As per Canadian  
20 GAAP, if an upward increase in the estimate of the obligation occurs, only the  
21 increase would be discounted using the current discount rate (the original amount  
22 would still be calculated at the original discount rate). Under IFRS the full liability is  
23 revalued at each reporting period using the current discount rate.