

1 Q. IFRS and regulatory accounting

2 Has Hydro considered how the implementation of IFRS for regulatory accounting
3 can be achieved on a revenue neutral basis?
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6 A. Many of the considerations regarding the implementation of IFRS have been
7 approved by the Board in Order No. P.U. 13 (2012).
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9 As part of the present depreciation application, Hydro is requesting that the Board
10 approve an increase in the service lives of many of its asset classes based on the
11 results of the Gannett Fleming study. This increase in service lives offsets what
12 would otherwise be a significant increase in revenue requirement caused by the
13 change in depreciation methodology. Hydro's proposal results in an overall
14 decrease in 2011 depreciation of \$1.1 million and therefore no consideration was
15 given to implementation of the depreciation changes on a revenue neutral basis.
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17 Because of the predominance of the sinking fund assets on the Island
18 Interconnected system, there is an estimated increase in Newfoundland Power's
19 revenue requirement of \$1.6 million and Island Industrials' revenue requirement of
20 \$0.3 million in 2011. Since these are fundamental changes to its depreciation
21 accounting, Hydro did not consider recommending implementation on a revenue
22 neutral basis and at these levels of increase, it is believed that a phase in of rates
23 would not be necessary.