

1 Q. Cost-of-Service: Please explain all changes in the NBV (Schedule 2.3A
2 Exhibit RDG-1) for lines 35 to 39 compared to the 2002 final COS filed 13
3 August 2002 (lines 34 to 39) including any reclassifications, changes to
4 groupings and rationale for all changes. Please indicate the implications of
5 any changes on the COS results.
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8 A. The following changes relate to the net book value for General Plant,
9 Telecontrol, Feasibility Studies and Software between the 2002 Test Year
10 COS (2002 TY COS) and the 2004 Test Year COS (2004 TY COS):
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12 1. In the 2002 TY COS, telecontrol assets were separated from other
13 categories of general plant and were functionalized to generation and
14 transmission (Line 35, 2002 TY COS). Since Telecontrol has evolved
15 to include phone systems, power line carriers, and has now merged
16 with the IT section, functional lines have blurred. In the 2004 TY COS,
17 these assets are now included as General Plant (Line 35).
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19 2. In the 2004 TY COS, General Plant (Line 35) is functionalized on the
20 basis of production, transmission, distribution and customer
21 accounting expenses. In the 2002 TY COS, General Plant was
22 prorated on production, transmission and distribution plant. This
23 change in functionalization is to recognize the support of General
24 Plant assets to the customer accounting function. Please refer to CA-
25 130 NLH, page 3, for the customer impacts of this change.
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27 3. In the 2004 TY COS, Telecontrol – Custmr & Spec (Line 36) includes
28 a direct assignment to the customer accounting function for an

1 upgrade to the PBX system at Hydro Place for Hydro's customer call
2 center. This asset was not part of the 2002 Forecast prepared for the
3 2002 TY COS.

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- 5 4. In the 2004 TY COS, there is a new line 38 for Feasibility Studies –
6 General which is functionalized on the basis of production,
7 transmission and distribution plant. This line item represents a
8 feasibility study for the replacement of Operational Data and Voice
9 Network.

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- 11 5. In the 2004 TY COS, the Software – Cust Acctng line item no longer
12 appears (2002 TY COS, Line 39) because the software is fully
13 depreciated and has a zero net book value.