

1 **Rebuild Transmission Lines (\$4,129,000)**
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3 **Q. For the Clarendville to Catalina project, explain why replacing bolts and insulators is**
4 **not an operating expense. In the other projects of less than \$50,000 explain why**
5 **replacing an individual crossarm or insulator is a capital expense.**
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8 A. The Clarendville to Catalina project has a budget of \$74,000. Approximately 95% of this
9 cost relates to the replacement of insulators. Insulators are units of property and are
10 capitalized. Bolts are a component of the pole structure, which is a capital asset. The
11 proposed project involves a wholesale bolt replacement – not simply replacing a small
12 number in a piece-meal manner. These bolts are of a higher quality than those installed
13 26 years ago when the line was originally built making the line more durable. A portion
14 of the original structure cost is retired in conjunction with this capital replacement.
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16 Cross-arms are a significant component of the pole structure. A portion of the original
17 structure cost is retired in conjunction with this capital replacement.