

1 Q. **Volume II, Exhibit 11: Depreciation Study**

2 In Part I of the Depreciation Study, Concentric Advisors state it is “NL Hydro policy
3 to capitalize site preparation costs to the new assets in replacement
4 projects...However, if there are no replacement assets (i.e. meaning replacement in
5 the exact same location), then Concentric Advisors recommends that cost of
6 removal will be charged to accumulated depreciation.” Please provide examples of
7 projects within Hydro’s Distribution, Transmission and Terminal Station asset
8 classes whereby there would be no replacement assets for a capital project.

9 (Volume II

10 (1st Revision), Exhibit 11: Depreciation Study, Page 11 of 628)

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13 A. For illustrative purposes, within the Distribution and Transmission classes, a new
14 distribution line is typically built alongside the old line rather than putting the poles
15 in the same hole. After installation of the new line, Hydro would remove the old
16 line. As a result, the removal costs on the old line would not qualify as site
17 preparation costs and therefore the cost of removal would be charged to
18 accumulated amortization under the proposed methodology.