

1 Q. Regarding the depreciation used in the analysis for MFLTA and LIL, please provide:

2 a) The basis for the depreciable lives and methods utilized;

3 b) Studies utilized to establish the depreciable lives and methods; and

4 c) The depreciable lives and methods used for large hydroelectric plants at other
5 utilities, and especially other Canadian Crown-owned corporation utilities.

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8 A. a) To date, the depreciation assumption for MFLTA and LIL models are based on
9 Supply Period and Service Life, respectively, as defined in the commercial
10 agreements.

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12 With respect to MFLTA, the Generator Interconnection Agreement and
13 Purchase Power Agreement define the Supply Period as commencing on the
14 Commissioning Date and extending to be not less than 50 years.

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16 With respect to LIL, the LIL Limited Partnership Agreement defines the Service
17 Life as the period immediately following the Commissioning Date during which
18 the LIL can continue to transmit energy and capacity at required reliability
19 levels, as designated by an Authorized Authority. This Service Life definition
20 then carries through to the LIL Lease and Transmission Funding Agreement. To
21 date this has been forecasted to be 50 years.

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23 b) No depreciation studies have been prepared as the analysis included in the
24 MFLTA and LIL models are cash flow models based on the commercial
25 agreements noted above, not the financial reporting standards for depreciation.

- 1 c) Depreciable lives and methods are not the defining factor for determining the
2 MFLTA Supply Period and LIL Service Life. The topic of depreciation, which is
3 only applicable for financial reporting purposes, is discussed in Nalcor's
4 response to PUB-Nalcor-266.