

**Q. [Net Salvage] – Please provide a full narrative explanation, with all corresponding justification and support, for the adjustments to net salvage in order to be consistent with the new 2011 Company guidelines regarding the allocation of cost of capital projects, an example of which is referenced on page B-54 of the Gannett Fleming study. To the extent the information is different by account or subaccount, provide the information for each different account or subaccount.**

**A.** In compiling the data necessary for Gannett Fleming to complete the 2010 Depreciation Study, it became apparent to Newfoundland Power that there were inconsistencies among the Company's three operating regions in the internal processes for determining dismantling cost.<sup>1</sup> As a result of these inconsistencies in the allocation of labour cost when, for example, a line crew replaced a distribution transformer, retirement costs tended to be overstated. To correct this on a go-forward basis, the Company issued the formal capitalization policy provided as Attachment A in the response to Request for Information CA-NP-060.

In order to appropriately reflect a proper treatment of such costs in the 2010 Depreciation Study, the actual removal costs recorded in the years 2005 through 2009, found in the Net Salvage Statistics section of the 2010 Depreciation Study beginning on page B-2, were reduced by the percentages shown in Table 1.

**Table 1**  
**Adjustments To Net Salvage**

Account		Percent Reduction
342.00	Substation - Equipment	7.33%
355.20	Pole Fixtures	26.37%
361.12	O/H Conductors - Bare Aluminum	29.36%
361.13	O/H Conductors - Weather-Proof Aluminum	29.00%
362.10	Poles & Fixtures - Wood - Under 35 ft.	22.66%
362.20	Poles & Fixtures - Wood - 35 ft. & Over	23.34%
364.11	Transformers - Over 15 kVA	21.51%

The *pro-forma* removal cost amounts, after reduction by the above percentages, are found at pages B-54 through B-62 of the 2010 Depreciation Study.

<sup>1</sup> Newfoundland Power's transmission and distribution workforce is organized into three operating regions - St. John's, Eastern and Western.