

**Q. [Account 361] – In response to CA-NP-118, the Company states that the trends in removal costs of gross salvage are primarily due to inflationary pressure and higher average service lives. At this time, provide all support and justification for such claim. Further, specifically explain why such inflationary pressure and higher average service life considerations are not also applicable to the retirement activity reflected in 2002 and 2003 retirements on page B-12 of the Gannett Fleming Study.**

The claim made in response to Request for Information CA-NP-118 is that the year to year trends in removal costs as a percentage of the installed value will fluctuate and that the variation is largely due to differences in the age of the plant being removed and year over year changes in inflation. Table 1 shows the installed cost per meter by year of installation for overhead conductor. Installation costs have varied from \$0.44 in 1966 to \$43.90 in 2010. The impact on the ratio of removing conductor of varying ages is obvious.

**Table 1**  
**Installed Cost/Meter - Overhead Conductor**

<b>Year</b>	<b>Installed \$/m</b>	<b>Year</b>	<b>Installed \$/m</b>
1966	0.44	1989	18.67
1967	1.97	1990	19.93
1968	2.34	1991	21.26
1969	2.56	1992	31.68
1970	2.56	1993	30.97
1971	3.17	1994	35.73
1972	3.25	1995	31.68
1973	3.96	1996	30.57
1974	4.51	1997	27.27
1975	5.33	1998	22.66
1976	6.33	1999	23.55
1977	7.49	2000	18.05
1978	9.04	2001	23.69
1979	10.50	2002	18.78
1980	12.02	2003	28.91
1981	12.18	2004	30.06
1982	14.15	2005	30.62
1983	13.61	2006	28.26
1984	14.56	2007	41.19
1985	16.41	2008	46.48
1986	14.99	2009	43.62
1987	15.95	2010	43.90
1988	17.24		

1 Newfoundland Power is not suggesting that inflationary pressure and higher average  
2 service lives are not applicable to retirement activity in 2002 and 2003.  
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4 In response to Request for Information CA-NP-118 it was further stated that the average  
5 age of conductor removed between 2004 and 2009 was 34 years. The average installed  
6 cost of 34 year old overhead conductor removed from 2004 to 2009 was \$3.80 per meter.  
7 In 2002 and 2003 the average age was 25 and 23 years respectively with associated  
8 installation costs of \$7.49 per meter and \$12.02 per meter respectively. The ratios  
9 experienced in 2002 and 2003 are principally due to the replacement of newer conductor  
10 during those years. Average service life and inflation were factors.