

1 **Q. [Account 371] – In response to CA-NP-121, the Company identifies the sale of six**  
2 **buildings with a corresponding overall substantial level of positive net salvage.**  
3 **Given the Company’s historical experience, provide all support and justification for**  
4 **the assumed zero (0) level of net salvage for large buildings and a -5% net salvage**  
5 **for small buildings.**

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7 A. The sales listed in the response to Request for Information CA-NP-121 represent the  
8 sales of buildings that occurred before the end of their expected useful life<sup>1</sup>. Sales  
9 proceeds in instances such as these recover the unrecovered cost of each building. The  
10 depreciation rates established for Accounts 371.1 and 371.2 are based on the expected  
11 useful lives of the structures in these accounts, and as such the net salvage estimates are  
12 based on the same expectation. In the case that any buildings are sold before the end of  
13 their useful lives, it is expected that sales proceeds will cover any undepreciated costs.  
14

15 Further, the building sales provided in the response to Request for Information CA-NP-  
16 121 are not representative of the buildings Newfoundland Power currently has in service.  
17 Most of the sales listed in the response to Request for Information CA-NP-121 were in  
18 business and commercial districts; whereas Newfoundland Power’s current buildings are  
19 typically located in industrial parks away from local business and commercial districts.  
20 Some of the locations will have remediation costs as well, unlike the case with those  
21 listed in the response to Request for Information CA-NP-121.  
22

23 The net salvage analyses shown on pages B-31 and B-32 of the Depreciation Study  
24 provide support for the net salvage estimates for both large and small structures. As the  
25 data on these pages shows, the Company has experienced removal costs in the past for  
26 retirements of assets in the buildings and structures accounts. For example, the most  
27 recent five year average shows net salvage of -13% percent of retirements. Similar levels  
28 of removal costs are expected to continue in the future, with the exception of building  
29 sales that occur before the end of a building’s useful life.

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<sup>1</sup> It should be noted that the sale of the Aguathuna Diesel Plant had no impact on Account 371, as the assets for this location were in the Other Production plant accounts.