

1 Q. Re: Net Salvage: Please provide the Company's accounting and treatment for reuse
2 material. Further, provide all underlying support and justification for the process
3 employed. Finally, provide the level of plant, by account, retired and returned to
4 stores during the past 10 years along with the corresponding accounting values for
5 salvage, by year.

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8 A. Reuse material is recorded at the weighted average cost of the inventory item
9 recorded in the system at that time. The account to which the inventory was
10 originally charged receives a credit in the same amount.

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12 Distribution transformers taken out of service are sometimes returned to a supplier
13 for refurbishment and repurchased at a cost which is less than a new transformer.
14 The refurbished items are then included in inventory at the purchased cost, and the
15 system averages out the unit cost.

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17 The specific items and value retired and returned to stores during the past ten years
18 is not available as there is no unique identifier in Hydro's accounting system to
19 permit identification.