

1 Q. Re: Account T03: Please fully explain and justify the selection of a 20SQ life-curve  
2 combination for Account T03 – Tools & Equipment. The response should  
3 specifically address the vintage surviving balances that exceed 20 years as set forth  
4 on page V-116 of Exhibit 1 and why a longer life is not appropriate give the number  
5 and magnitude of surviving vintages. The response should also specifically address  
6 the curve fitting presented on page IV-222 and the identified 35S0.5 presentation.  
7 The response should also present the specific steps and corresponding information  
8 and documents relied on to arrive at the proposed life-curve combination. Finally,  
9 provide the dollars retired with the corresponding vintage year of installation that  
10 have occurred for both 2010 and 2011.

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13 A. The average service life recommendation for this account was based on the  
14 experience of Mr. Kennedy, on the peer analysis, and on the recommendation of  
15 the operational staff. Mr. Kennedy has reviewed the average service life  
16 characteristics of tools and equipment in almost all depreciation studies conducted  
17 on behalf of Canadian electric utilities. The concept of amortization accounting for  
18 this type of general plant is widely accepted and used.

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20 As noted in the peer analysis provided on page III-7 of the Gannett Fleming report,  
21 the amortization periods for the peer companies range from 10 to 25 years.  
22 However, in the circumstances of Hydro, it is recognized that the aged balances in  
23 this account extend back to 1970 with a lot of investment remaining from the 1980s  
24 installations. It is believed that this older surviving plant results from missed  
25 retirement activity and it will require investigation prior to the next depreciation  
26 study. As such, Gannett Fleming views that a 15 year life is too short at this time,  
27 until the investigation is complete. The 20-SQ as recommended by Gannett Fleming

- 1 is widely used within the industry and is reasonable given the age of un-retired
- 2 plant.