

1 Q. [Account PO7 - Poles - Wood] - In CA-NLH-106 the Company states that the larger
2 retirement ratios experienced for Account PO7 - Poles - Wood were caused by
3 retirement activity that was "expected" to occur in future years. Given that the
4 retirement activity noted at age 16.5 includes approximately \$149,000 for sales of
5 poles and approximately \$115,000 for inventory adjustments, please explain and
6 fully justify why such activities at age 16.5 years of age would be expected to
7 reoccur in the future for the existing plant in service.

8
9
10 A. Sale of utility assets to third parties is not uncommon. Wooden poles are used in
11 differing applications to carry overhead utility infrastructure. In particular, wooden
12 poles are often required for use by telecommunication companies in areas where
13 electric utilities have capacity on the poles or have lines that are no longer required.
14 In fact, Hydro sold 48 poles to a telecommunication company in 2010 on a line that
15 was rerouted and intends to sell a quantity of joint use poles in 2012. Therefore, it
16 is appropriate to consider the sale of poles as a cause of retirements that may
17 reoccur again in the future.

18
19 With regard to the retirements caused by the adjustment to inventory, Hydro issues
20 poles out of inventory to various capital projects and then completes those
21 projects. Some of the inventory issued to those projects may not get installed and
22 due to a delay in returning those assets to inventory, the poles have to be retired
23 from the asset records and recorded in inventory. This cause of retirements may
24 reoccur in the future.