

1 Q. [Account R12 - Right of Ways] - Regarding the concepts stated in CA-NLH-114 that
2 easements associated with account R12 - Right of Ways are "for the life of the line,"
3 please provide all support and justification why a 55-year average life meets such
4 criteria given the fact investments in Account C13 - Conductor have an average
5 service life of 60 years with an R3 dispersion which yields a maximum life
6 expectancy in excess of 90 years for the investment in that account and that other
7 investments residing upon right of ways also have maximum life expectancies well
8 in excess of the maximum life for the proposed 55R4.

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11 A. In review of the response to CA-NLH-114, the reference as quoted in this question
12 that the easements associated with Account R12 – Right of Ways are "*for the life of*
13 *the line*" could not be found. However, in order to be responsive to this question,
14 it is noted that as indicated at lines 21 to 23 of CA-NLH-114 the "Transmission lines
15 ROWs subsequent to this time were by way of leases in the form of an easement
16 from Crown Lands that are for a 50-year term". The comments provided at lines 6
17 and 7 of the second page of the response to CA-NLH-114 that "The same process
18 for distribution lines is followed as for transmission lines regarding Crown Land with
19 a Lease that is for a 50 year term and is renewable" were also considered. These
20 comments are directly applicable to the estimation of the average service life. The
21 term of the agreements for the Easements is 50 years. The investment for which
22 the current study develops depreciation rates is for the original cost currently in
23 service. If, in future years, a re-negotiation results in the renewal of the easement
24 an additional investment will be made at that time resulting in a new vintage of
25 investment being subjected to the entire additional life. Therefore, due to the
26 renewal clauses, any one easement can be subjected to a number of additional
27 renewals. As such, it is entirely feasible to depreciate land rights over a period that

- 1 is shorter than the life estimate of the asset that sits upon the land for which the
- 2 easement is registered.