

- 1 Q. [Account S16 - Studies] - In CA-NLH-19, it is stated that Mr. Kennedy's experience is  
2 that 5 years is a common amortization period for studies associated with the  
3 investment in Account S16 - Studies. At this time, please provide the following:
- 4 a. The specific page and line of the peer group information contained in the  
5 2009 Gannett Fleming study that specifically identifies studies;
- 6 b. To the extent there are no specific peer group line items in the 2009  
7 Gannett Fleming study that identifies studies, provide the specific account in  
8 which studies are incorporated for other utilities on pages III-6 through III-8  
9 of the 2009 Gannett Fleming study;
- 10 c. All documents that support the statement that it is common to amortize  
11 studies over 5 years, clearly identifying the utility at issue, the date of such  
12 information, and the specific type of study corresponding to the  
13 documentation;
- 14 d. All support and justification for a practice that sets an amortization period  
15 shorter than the benefits associated with an individual study (e.g. why a  
16 study that addresses life extension of 15 years for a particular capital asset is  
17 not amortized over the 15-year benefit period, etc.);
- 18 e. A listing of each separate instance where Gannett Fleming has specifically  
19 recommended an amortization period for studies in depreciation studies in  
20 North America during the past 5 years, along with the corresponding  
21 documentation to support the proposed amortization period.  
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23
- 24 A. a. Studies are not separated into a separate account by any of the peer  
25 companies and are therefore not identified in the peer analysis included in  
26 the Gannett Fleming report.

- 1           b.     It is the experience of Gannett Fleming that studies have historically been  
2                     capitalized as an overhead cost and charged to the accounts in accordance  
3                     with the assets included within the project. However, in recent years, Mr.  
4                     Kennedy has witnessed a trend wherein studies are being treated as an  
5                     intangible asset and amortized over a shorter period of time in accordance  
6                     with company policy.
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- 8           c.     As indicated in response to part (b) of this question, recently, studies have  
9                     been treated as an intangible asset and amortized over a shorter period of  
10                    time. The comments provided in response to CA-NLH-19 related to studies  
11                    that were based on the broad Canadian experience of Mr. Kennedy, rather  
12                    than on any specific documentation.
- 13
- 14          d.     Studies are not a type of asset that is installed with an actual physical life  
15                     expectation. Rather, studies relate to the review of the need, options,  
16                     development and timing of potential capital projects. As such, as indicated  
17                     in response to CA-NLH-131, studies are undertaken for a variety of reasons.  
18                     Therefore, the usefulness of the investment related to any specific study is  
19                     consumed soon after the project is approved and placed into service.  
20                     Potentially, additional studies in future years will be undertaken to  
21                     determine potential future need for replacement of assets. In the view of  
22                     Gannett Fleming, the value of the study is consumed soon after the study is  
23                     completed, and is not over the entire life of the physical life of the assets  
24                     placed into service, and in fact the studies are often undertaken near the  
25                     end of the life of the assets.
- 26
- 27          e.     Mr. Kennedy has not proposed a specific life within a group accounting  
28                     concept for studies in any previous depreciation study.