

1 Q. [Account S16 - Studies] - In CA-NLH-131 the Company identifies an Island Pond  
2 Development Study placed into service in 2007 as it relates to the investment in  
3 Account S16 - Studies. The response further notes that the purpose of the study  
4 was to develop information associated with the construction schedule and allow  
5 estimates of costs and benefits associated with the feasibility of the project. Please  
6 fully explain and justify why the study should be amortized over a period shorter  
7 than the anticipated benefits associated with the study itself.

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10 A. The capitalization of this study over a five year period was in accordance with the  
11 policy in CA-NLH-213 Attachment 1. Currently there are no plans to develop the  
12 Island Pond project. In future, under IFRS, the cost of pre-engineering studies will  
13 be part of the cost of the capital project if the project proceeds otherwise the costs  
14 will be expensed unless specific regulatory approval is granted.