

1 Q. With reference to the Gannett Fleming 2011 Study (page I-4), please confirm Hydro  
2 is in agreement with the statement that: "Use of the ASL procedure represents a  
3 change from the sinking fund method which will not result in an appropriate  
4 matching of depreciation expense with **the estimated consumption of service**  
5 **value** of electric property" (emphasis added). Please provide a detailed definition  
6 and explanation of the concept of the "estimated consumption of service value", as  
7 referred to in Gannett Fleming 2011 Study.

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10 A. Hydro confirms that it is in agreement with the quoted statement. Service value as  
11 used in the Gannett Fleming report is based on the definition as provided by the  
12 Federal Energy Regulatory Commission (FERC) in part 101 of its Uniform System of  
13 Accounts which states that "Depreciation, as applied to utility plant, means the loss  
14 in service value not restored by current maintenance, incurred in connection with  
15 the consumption of prospective retirement of utility plant in the course of public  
16 service from causes which are known to be in current operation and against which  
17 the utility is not protected by insurance". Further, FERC states that service value is  
18 equal to the difference between original cost and net salvage value of plant.