

1 Q. In Hydro's response to IC-NLH-10, Hydro references the definition of service value  
2 provided by the Federal Energy Regulatory Commission in part 101 of its Uniform  
3 System of Accounts. Explain how this definition is applicable when service value is  
4 equal to the difference between original cost and net salvage value given that  
5 Hydro does not recognize net salvage value in its depreciation rate calculations.

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8 A. The Federal Regulatory Commission (FERC) definition of Service Value as described  
9 in part 101 of its Uniform system of Accounts does provide for the inclusion of net  
10 salvage in the depreciation rate calculations. However, the FERC definition does not  
11 preclude the use of a zero percent salvage rate in the depreciation rate calculations.  
12 Application of the FERC definition simply implies the use of a zero percent rate, and  
13 is consistent with the practice of a number of FERC regulated utilities (in particular a  
14 number of interstate pipelines such as the Trans Quebec and Maritimes and the  
15 Maritime and North East pipeline systems).