

1 Q. Please refer to the response to CA-NLH-63. The response states that even though
2 Hydro proposes to move to a group method of depreciation, the intent is that unit
3 or asset depreciation will continue. Explain what are the advantages of moving to a
4 group method of depreciation, if depreciation rates will continue to be applied on
5 an individual asset basis. Explain how an average service life of 20 years for the
6 group where lives may range from 10 years to 40 years depending on the account
7 make-up is appropriate to apply on an individual asset basis, and why this approach
8 should be considered to be consistent with group accounting.

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11 A. Please refer to the response to IC-NLH-51, where it is indicated that Hydro is not
12 proposing group accounting. Additionally it is noted that the application of an
13 average service life to each asset within the group will result in a similar level of
14 depreciation as compared to applying the average service life to the total
15 investment within the group. It is also noted that Hydro's assets records are more
16 componentized than the asset records of many regulated electric utilities and
17 results in a lesser amount of significant asset retirement dispersion.

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19 Mr. Kennedy notes that the most significant difference from group accounting to
20 the implementation procedure being proposed is the ceasing of depreciation
21 expense when an individual asset becomes fully depreciated, and the charging of
22 losses on retirement to the income statement. Overall, Mr. Kennedy notes that this
23 proposed unit depreciation approach will reduce the depreciation amount as
24 depreciation stops when the assets are fully depreciated. However, the reduction
25 will be offset in the proposed approach due to the inclusion of the losses on
26 retirement to be included in the revenue requirement.