

1 Q. Depreciation Methodology

2 In the Depreciation Methodology Evidence, Appendix A, page A-1, it is stated that  
3 the Holyrood thermal generation assets not required after the Labrador  
4 interconnection are not included in the study. It is further stated that those assets  
5 have service lives ending in 2020.

6 Please describe how dismantling costs and salvage associated with retirements is  
7 accounted for within the Depreciation Study.

8

9

10 A. Dismantling costs and salvage associated with retirements are not accounted for  
11 within the Depreciation Study. Generally, dismantling costs are expensed as  
12 incurred and any calculated gains or losses are booked to the income statement as  
13 well.

14

15 Provisions are recorded for the estimated costs of legal or constructive obligations  
16 to retire long lived assets against which the actual costs will be applied when  
17 incurred. The costs associated with the dismantling of Holyrood generation assets  
18 not required after the Labrador Interconnection was accounted for in this manner  
19 in 2011 and an application will be filed with the Board under separate cover. These  
20 Asset Retirement Obligations have not been included in the Depreciation Study.