

- 1 Q. Section J, page 5 of the Application reads in part, *“Due to the accounting*  
2 *methodology changes approved under Board Order P.U. 13(2012), major overhauls*  
3 *and inspections with a frequency of greater than one year are capitalized,.....”*.
- 4 a) Please provide the forecasted increase in the capex budget and the decrease  
5 in maintenance expenditure as a result of this accounting change for each of  
6 the years 2013 and 2014.
- 7 b) By how much was the maintenance expense reduced in the July 30, 2013  
8 general rate application (GRA) cost of service (COS) as a result of this  
9 accounting change?  
10  
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- 12 A. a) The forecasted increase in the capex budget for 2013 and 2014 as a result of  
13 capitalizing major overhauls and inspections is \$2,679,800 and \$7,340,600,  
14 respectively. The reduction in maintenance expenditure is budgeted to be  
15 \$2,241,700 and \$6,106,800. The difference in expenditures is due to  
16 contingency and interest components that are included in capital cost  
17 estimates but not maintenance cost estimates. Interest costs would be  
18 expensed as a financing charge. Contingencies are built into capital cost  
19 estimates to cover unforeseeable costs arising from uncertainties.  
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- 21 b) The maintenance expense was reduced by \$2,241,700 for 2013 in the July  
22 30, 2013 GRA.