

- 1 Q. **Reference: Schedule 1, Attachment 11, Page 9 of 29.**
- 2 a) What is the salvage value of the 327m of steel penstock?
- 3 b) Explain how this salvage value is treated from an accounting perspective and if there is any  
4 benefit to customers through accumulated depreciation or other?
- 5 c) Is the Authorized Budget based on installing 327m of new penstock?
- 6 d) How many metres of new 7/16 wall thickness penstock was installed in the Bay d'Espoir  
7 Penstock 1 Life Extension project?
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- 10 A. a) The potential salvage value for clean steel is estimated to be approximately \$50 per metric  
11 ton. If the steel penstock were considered to be clean steel, the salvage value would be  
12 estimated at \$27,000; however, the 327 m of penstock steel is not considered to be clean  
13 steel, as there is an asbestos-containing coal tar coating on the exterior of the steel. The  
14 estimated cost associated with full remediation of the penstock steel is more than \$800,000.  
15 As the estimated cost to remediate the steel greatly exceeds the potential salvage value,  
16 there is no material salvage value associated with the steel.
- 17 b) As noted in Newfoundland and Labrador Hydro's response to part a) of this question, there  
18 is no net salvage value for the steel.
- 19 c) The Authorized Budget is based on installing 327 m of new penstock.
- 20 d) Approximately 366 m of new penstock was installed as part of the Bay d'Espoir Penstock 1  
21 Weld Refurbishment and Section Replacement Project. Of the 366 m of new penstock,  
22 approximately 346 m was fabricated with 7/16" steel. Of the remaining 20 m of new  
23 penstock, 13 m was 1/2" plate and 7 m was 9/16" plate. This additional plate was used for  
24 fabricating bends and a short section designed for heavy equipment loading.