

1 Q. **Depreciation**

2 Exhibit 11, page 5 of 628. NLH notes that “For post 2015 addition, Concentric
3 Advisors recommends and has provided whole life accrual rates that do not reflect
4 the booked depreciation deficiency or surplus position as of December 31, 2015.”
5 Please provide a full description, and illustrative examples, of how these
6 deficiencies and surpluses will be recovered or reconciled, if this recommendation is
7 approved.

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10 A. This response was provided by Concentric Advisors.

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12 The Depreciation Study was based on balances as of the end of 2015.
13 Therefore, the deficiencies and surpluses for each fixed asset account are only
14 identifiable to the 2015 fixed asset account balances. To provide post 2015
15 remaining life rates, cannot be done as there are no associated net book values.
16 Thus, the post 2015 vintages have been developed using whole life accrual rates
17 which only requires life and net salvage parameters. At the next depreciation
18 study, any deficiencies and surpluses associated with actual data will be
19 identifiable and will become part of each fixed asset account’s net book value
20 computation, and depreciation rates will be developed using Hydro’s current
21 remaining life technique applied to net book values.