

1 Q. **Depreciation**

2 Exhibit 11, page 47 of 628. Account T10 (Holyrood Gas Turbine 0 Combustor  
3 Overhaul) shows a composite remaining life of only 2.5 years. Please explain how  
4 this account is relevant to the test years and how this depreciation rate, if  
5 approved, would be applied.

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8 A. This response was provided by Concentric Advisors.

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10 Concentric Advisors was engaged to provide depreciation rates based on the  
11 Hydro's assets as of December 31, 2015. For Account T10, the life expectation is a 3  
12 year life (designated as a 3-Square survivor curve). As such the 2015 vintage of  
13 \$2.2M will be fully depreciated by the end of 2017 and this investment of \$2.2M for  
14 the 2015 vintage has no relevance to the 2018-19 test period. However, it is  
15 assumed that there would be a re-occurring overhaul every three years which  
16 would be amortized over a three year period. Based upon this assumption, there  
17 would be a new overhaul in the 2018 period.<sup>1</sup>

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<sup>1</sup> In Hydro's actuals, the overhaul was completed in late 2016 and the next scheduled overhaul is expected in the 2018/2019 period.