

1 Q. Regarding IC-NLH-037:

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3 For the Account B02 – Boiler System on page 17 of 628, Exhibit 11, Volume II the
4 depreciation study states that “The retirement rate analysis prepared in this study
5 reviewed the plant installed over the period of 1968 through 2015 and the
6 retirement experience covering the period of 1968 through 2015. Over this period
7 this account has experienced \$11,281,692 of retirements over a widely sparse
8 range of ages as summarized on the observed life table provided on pages V-12 and
9 V-13 of this report.”

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11 The response to IC-NLH-037 indicates that about \$8.7 million or over 77% of these
12 retirements are due to write-off abandonment and decommissioning of the
13 woodchip fired thermal plant in Roddickton.

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15 Please explain how the Roddickton woodchip plant can be viewed as representative
16 of the lifespan for other boiler system assets. Ensure the response specifically
17 addresses the circumstances associated with the Roddickton retirement at a young
18 age, and how these facts compare to the other boiler assets that Hydro maintains.

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21 A. This response has been provided by Concentric Advisors (Concentric).

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23 Hydro was authorized in Board Order No. P.U. 26(1999-2000) to write-off the
24 undepreciated value of these assets as per Section 38 “Abandonment” of the *Public*
25 *Utilities Act* (excluding the 450kW diesel engine which was used for emergency
26 start-up purposes). The thermal plant was abandoned as it was no longer economic
27 as a base load generating plant and it was not a recommended source of

1 emergency power because the plant was costly to operate and was not available
2 without at least two days of lead-time.

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4 As indicated in Exhibit 11, page 63 of 628, the selected 40-R3 Iowa curve specifically
5 discounted the probability of a re-occurrence of a retirement of this size re-
6 occurring at age 9.5. A review of page 63 of 628 of Exhibit 11 indicates that the
7 selected 40-R3 Iowa curve more closely fits to the observed life table absent the
8 large drop in percent surviving indicated at age 9.5. However, while Concentric
9 Advisors placed a reduced weighting on this \$8.7 million retirement at age 9.5, the
10 transaction was not completely ignored in the analysis. It is Concentric's view that
11 this account will experience periodic large retirement transactions, when boilers are
12 retired, consistent with the retirement of the Roddickton woodchip unit.

13 Therefore, the Iowa curve shape selected for this account was a higher moded R3
14 curve, which is more reflective of periodic large retirement transactions as
15 compared to lower moded Iowa R0.5 through R2.5 curves.

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17 Please refer to Hydro's response to IC-NLH-155 for additional information on the
18 weighting placed on the retirements associated with the Roddickton Plant.