

1 Q. Further to responses to Requests for Information NP-NLH-152 and  
2 PUB-NLH-070:

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4 *Is Losses on Disposal* a component of Hydro's depreciation expense in the 2018 and  
5 2019 test years? If so, why?

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8 A. This response has been provided by Concentric Advisors.

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10 No, loss on disposal is not a component of Hydro's depreciation expense in the  
11 2018 and 2019 Test Years. The depreciation study was completed on plant data as  
12 of December 31, 2015. As of that time, Hydro recognized gains/losses in income  
13 and did not embed them in accumulated amortization for future recovery. As a  
14 result, there were no gains/losses in the accumulated amortization account to  
15 amortize over the composite remaining life. In addition, the removal of losses from  
16 the current year revenue requirement (as would occur if the losses are charged to  
17 the income statement in the year of occurrence) results in a net reduction to  
18 revenue requirement in the 2018 and 2019 Test Years of \$4.0 million.<sup>1</sup>

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20 In future depreciation studies, the inclusion of losses (or gains) in the accumulated  
21 depreciation account will result in the losses (or gains) being amortized over the  
22 composite remaining life. Therefore, the future impact on depreciation rates will  
23 depend on whether the retirements are resulting in a loss or gain being charged to  
24 the accumulated depreciation account. However, to the extent that the losses (or  
25 gains) are amortized over the composite remaining lives, the impact is offset by the

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<sup>1</sup> Please refer to Hydro's response to PUB-NLH-070 for further information.

- 1 removal of the losses (or gains) from the current year revenue requirement (as
- 2 would occur if the losses are charged to the income statement in the year of
- 3 occurrence).