

1 Q. Further to PUB-Nalcor-205, please provide:

2 a) The range of depreciable lives being studied;

3 b) The work plan for the consultants who have been hired for this engagement;
4 and

5 c) Whether the depreciable lives and methods used for large hydroelectric plants
6 at other utilities other Canadian Crown-owned corporation utilities are being
7 utilized for this study, and how.

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10 A. The work scope referenced in Nalcor's response to PUB-Nalcor-205 relates to asset
11 depreciation under IFRS for all components constructed by the Labrador-Island Link
12 Limited Partnership, Labrador Transmission Corporation and Muskrat Falls
13 Corporation under Phase 1 of the Lower Churchill Project (LCP).

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15 a) All LCP assets will be accounted for under International Accounting Standard 16
16 Property, Plant and Equipment, which states that "*each part of an item of*
17 *property, plant and equipment with a cost that is significant in relation to the*
18 *total costs of the item shall be depreciated separately.*" The approach is to have
19 LCP assets segregated and costs allocated to each part of the assets as
20 construction costs are completed. Then to use LCP's Asset Management
21 Philosophy to form a basis of the depreciable lives for significant parts. The
22 Asset Management Philosophy outlines design and service lives in the ranges of
23 25 to 100 years. However, lower ranges may be required for items not outlined
24 in the Asset Management Philosophy.

- 1 b) A work plan is currently being drafted for review with Concentric Advisors ULC
2 (Concentric). Once finalized between Nalcor and Concentric, it can be provided
3 to the Board and Liberty.
4
- 5 c) LCP will be calculating depreciation on a straight-line basis over the estimated
6 useful lives of the assets. The work plan of Concentric is to be consistent with
7 assessments and recommendations made in previously performed work for
8 Nalcor and its affiliates.