

1 **NP-IC-6 Exhibit PSL-2. Please explain in full why Ms. Lee believes that it is**
2 **appropriate to recommend adjustments to these 5 accounts without**
3 **providing the Board a full review which includes Hydro's remaining**
4 **accounts?**

5 **RESPONSE:** Ms. Lee believes that making a recommendation on all accounts should be the
6 norm. In this case however, the 2009 Depreciation Study provided no support or
7 justification for any life recommendations other than results of statistical analysis.
8 No account narratives were provided in the study describing the assets contained
9 in each account or any explanation, support, or documentation why the statistical
10 analysis was accepted or rejected. As a result, the intervenors had to make
11 numerous information requests requesting any meaningful and significant
12 information that Hydro believed was important in the determination of the
13 proposed life estimate. Unfortunately, Hydro's responses many times simply
14 claimed that previous responses fully explained the proposed life expectations.

15 Reliance on operations staff simply meant that the Gannett Fleming proposed
16 life-curve combinations were simply provided to the staff for comment.
17 Operations staff were not asked to comment on any other life-curve combinations
18 and there was often little to no specific reasons or explanation as to why a given
19 life-curve combination was found to be reasonable.

20 Even when reliance was given to the peer group ranges of life estimates, there
21 was absolutely no reasoning or explanation provided by Hydro as to why a life at
22 the higher end of the range should or could not be considered reasonable other
23 than the life being recommended was already some percentage more than the
24 existing life. Ms. Lee opines that really is no justification.

1 In sum, a depreciation study where a change in underlying life is being proposed
2 should be expected to include justification and support for that change. This
3 support could be in the form of company planning, growth requirements,
4 maintenance advantages, life indications, government mandates, etc. Such
5 critical and relevant information was lacking in Hydro's originally submitted study
6 necessitating numerous information requests in an attempt to gather the needed
7 information and support. Due to the number of accounts involved, the lack of
8 support and justification presented in the 2009 Depreciation Study, and the fact
9 that Hydro was not forthcoming with adequate responses to the many requests
10 for information, focus was consequently given to those accounts where life
11 recommendations appeared to be the most egregious.