

1 Q. Re: 2013 Capital Projects Overview, page 13:
2 Please provide the complete rationale for including what is usually operating costs
3 in the Capital Budget at this time.

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6 A. The Phase I costs included in the capital budget submission are for front end
7 engineering design and were not included as operating costs in the past. These
8 costs were capitalized in accordance with Canadian GAAP but the activities were
9 performed after the capital budget submission and thus were capitalized as part of
10 the execution phase of the project. Hydro has accelerated the performance of
11 these activities to the submission year to increase the accuracy of its proposed
12 scopes and budgets.