

1 Q. **Reference: Schedule 3: Holyrood Thermal Generating Station Overview**

2 Page 9, Table 3. Fuel Storage Tank 2:

3 "A least cost evaluation will be completed to determine whether the tank  
4 should be demolished or should be reinforced to allow it to continue to stand  
5 empty until demolition of the entire tank farm."

6 If the least cost evaluation determines that the tank should be reinforced and not demolished,  
7 will Hydro treat the cost of reinforcement as a capital or operating expense and why?

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10 A. When the Asset Retirement Obligation ("ARO") for the Holyrood Thermal Generating Station  
11 was identified and the fair value of the cost of the obligation was calculated, the Fuel Storage  
12 Tank 2 demolition was included in the fair value cost estimate at that time. If the least-cost  
13 option determines that the tank should be reinforced and not demolished until demolition of  
14 the entire tank farm, any additional cost associated with the reinforcement of the tank not  
15 included in the ARO will be considered an operating cost and expensed when incurred. As this is  
16 a cost of removing an asset from service with no replacement, the cost of reinforcement in  
17 excess of the ARO cannot be capitalized.