Q. Reference: Exhibit 2, Appendix A, pages A-1, line 12 and page A-2, line 10:

Please explain why a decrease in capital expenditure for the 2014 test year of $146,283,000 for GRA adjustments results in no adjustment for amortization (excluding effect on amortization for the asset retirement obligation).

A. The reduction in capital additions of $146.3 million for GRA adjustments would have resulted in a net increase in depreciation expense of approximately $0.1 million. Hydro did not increase revenue requirement for this change in depreciation expense.

Of the $146 million of asset additions that did not go into service in 2014, $110 million relates to the Holyrood Combustion Turbine (CT) project. The remainder of the difference is mainly due to projects that were carried over to 2015 that were forecasted to go into service in 2014 and projects that were underspent in 2014 as a result of lower costs incurred. Depreciation on the Holyrood CT project and the projects that were carried over into 2015 total $0.4 million. This depreciation is not significant as the projects in question were primarily forecasted to go into service in the Test Year in December.

This reduction in depreciation was off-set by assets that went into service earlier in the year and/or had lower service lives than originally budgeted. For example, for budget purposes only, one Unit of Property can be entered for each proposal. As a result, the entire project is assigned one single service life and in-service date.

However, on an actual basis a project may have multiple service lives and in-service dates.