



THE YUKON ELECTRICAL COMPANY LIMITED
An **ATCO** Company

YUKON UTILITIES BOARD

EXHIBIT B-14

DAY	ENTERED BY	DATE
	YECL	Sept 30/08

2008-2009 General Rate Application
The Yukon Public Utilities Board
Information Request No. 2
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Reference: YEC-YECL 17(f)

- (a) Please complete the response to YEC-YECL 17(f) by providing a summary of regulated utilities in Canada who use depreciation rates based on the ASL method.

Response:

Neither Gannett Fleming nor Yukon Electrical know of the depreciation policies and parameters of all Canadian Utilities. To undertake an exhaustive survey of all utilities is not possible given the time constraints of responding to this information request. Furthermore, the depreciation parameters of many utilities are not in the public domain and therefore are not available. However, Gannett Fleming has prepared depreciation studies for a large number of Canadian utilities and is familiar with the depreciation policies and parameters of the specific utilities for which Gannett Fleming has worked. Additionally Gannett Fleming follows the depreciation trends and is aware of the depreciation procedures used by some companies for which Gannett Fleming does not complete the depreciation work.

The following are companies for which the current depreciation rates were developed by Gannett Fleming using the Average Service Life procedure:

- BC Hydro
- British Columbia Transmission Limited
- Centra Gas Manitoba
- Canadian Pacific Railway
- Consumers Gas Inc.
- Enbridge Pipelines Inc.
- Fortis BC
- Kinder Morgan Canada (Vancouver Airport Pipe Line)
- Manitoba Hydro
- Northwest Territories Power Corporation
- Plateau Pipe Line Ltd.



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- TransCanada Pipelines Limited
- Terasen Gas Inc.
- Yukon Electric Company

Additionally, Gannett Fleming is aware of the following companies using the Average Service Life Procedure in the development of depreciation rates:

- Alliance Pipeline Ltd.
- Hydro One
- Kinder Morgan (Trans Mountain Pipe Line system)
- Ontario Power Generation
- Ontario Power Transmission
- Union Gas Inc.



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Reference: YEC-YECL 17 (g)

Preamble: YECL failed to provide any response to the following part of the original question: "Indicate the impact on each test year depreciation expenses if the Board directs YECL to treat future removal and site restoration costs in the same way as it directed YEC to treat these costs in Order 2005-12."

Request:

- (a) Please confirm that YECL's current and proposed depreciation rates include a provision for net salvage.
- (b) Please confirm that:
 - (i) Gannett Fleming provided net salvage estimates for its YECL depreciation estimates in this filing, including separation of service life and salvage analysis such that, for the 12 months ending December 31, 2007, Gannett Fleming's YECL depreciation estimates totalled \$4,330,107 of which the annual accrual for net salvage equalled \$726,804.
 - (ii) Gannett Fleming's YECL salvage analysis indicates (Table 1 at page 44, and Table 2 at page 46, of Section 7 of the YECL filing), for the 12 months ending December 31, 2007 in Table 1, or at December 31, 2007 in Table 2
 - a. calculated annual accrual of \$726,804 at a rate of 0.63;
 - b. calculated accrued depreciation of \$9,035,246;
 - c. book accumulated depreciation of \$4,688,112; and
 - d. annual provision for true up \$191,293.
 - (iii) Gannett Fleming's comparable Yukon Energy salvage analysis for YEC's 2005 filing indicated (Tables 1A and 2A, Tab 11 of the YEC 2005 filing and included as Attachment 1 to September 22, 2008 Second Round Interrogatories to YECL), for the 12 months ending December 31, 2003 in Table 1A or at December 31, 2003 in Table 2A,



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- a. calculated annual accrual of \$533,366 at a rate of 0.25;
 - b. calculated accrued depreciation of \$4,940,383; and
 - c. book accumulated depreciation of \$6,030,200.26;
 - d. annual provision for true up of \$(35,897.13).
- (iv) Based on the Gannett Fleming depreciation study referenced in (iii) above, the Board (in Order 2005-12, at page 48) concluded that YEC would remove from annual revenue requirements the calculated annual salvage accrual charges (\$533,366 in 2003) in order to discontinue recording an annual provision for FRSR.
- (c) Please confirm that YECL records were used by Gannett Fleming to permit them to produce the "Book Accumulated Depreciation" columns at pages 45 and 46 of their report (as included in Section 7 of the GRA filing), including such information for net salvage amounts.
- (i) If this is not the case, explain in detail how Gannett Fleming developed these amounts and what other sources were used for this purpose.
 - (ii) If this is the case, provide for the past 5 years the annual changes to the book accumulated depreciation related to net salvage, showing for each year the opening balance, charges and additions (separately) to the balance, and the closing balance.
 - (iii) Provide actuals and forecasts (as appropriate) of the accumulated depreciation related to net salvage as at the end of 2008 and 2009.
- (d) Please provide copies of the Gannett Fleming Tables 1 and 2 (pages 43-46 of the Depreciation Report, in Section 7 of the GRA) showing calculated accrued depreciation, the annual accrual and the annual provision for true-up using existing depreciation rates and parameters (i.e., using the last approved YECL depreciation survivor curves and estimated net salvage).
- (e) Please provide two complete sets of Schedules 7.1 through 7.4 (as re-filed July 4, 2008), that break out the net salvage portion of depreciation expense separately from the estimated survivor curve or other components of depreciation expense. To be clear, one set should calculate life expense proper (per the rates indicated in the Gannett Fleming Report page 43) and a separate set should calculate salvage expense (per the rates indicated in the Gannett Fleming Report page 44 of Schedule 7).



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- (f) Please provide two complete sets of Schedules 7.1 through 7.4 (as re-filed July 4, 2008), similar to question (d) above, showing depreciation expense at existing rates (i.e., one set with life and salvage shown at existing rates, and one set with existing amortization of net differences). (g) If it is not provided in (d) above, please provide estimates of the depreciation expense for 2008 and 2009 assuming there were no net salvage provision included in the calculation of depreciation rates and depreciation expense. Please provide the response separated into the General Provision portion of depreciation expense and the Amortization of Differences portion of depreciation expense. If it is provided in (d) above, please indicate where this value can be found.
- (g) If it is not provided in (d) above, please provide estimates of the depreciation expense for 2008 and 2009 assuming there were no net salvage provision included in the calculation of depreciation rates and depreciation expense. Please provide the response separated into the General Provision portion of depreciation expense and the Amortization of Differences portion of depreciation expense. If it is provided in (d) above, please indicate where this value can be found.
- (h) Please provide copies of the most recent versions of Schedule 8.5 and 8.6 separating out the portion of accumulated depreciation and depreciation expense related to the net salvage provision (consistent with the approach used for life analysis at page 45 of the Gannett Fleming report) and the portion of accumulated depreciation and depreciation expense related to the estimated survivor curve or other components of accumulated depreciation and depreciation expense (consistent with the approach used for salvage analysis at page 46 of the Gannett Fleming report).
- (i) Please provide a detailed explanation for why YECL has not recorded any Asset Retirement Obligations (ARO) in accordance with Section 3110 of the CICA handbook.
- (j) Does YECL expect that it will need to record any ARO in the future? Why or why not?
- (k) Please explain in detail why YECL does not maintain a separate Future Removal and Site Restoration fund (FRSR).



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- (l) Does YECL expect that it will need to maintain a FRSR fund in the future? Why or why not?

Response:

- (a) Confirmed.
- (b) (i) Confirmed except that the total is \$4,331,107.
(ii) Confirmed.
(iii) Confirmed.
(iv) Confirmed.
- (c) Confirmed.
(i) Not applicable.
(ii) Please refer to YEC-YECL-II-2(c) Attachment 1.
(iii) Please refer to YEC-YECL-II-2(c) Attachment 2. The forecasts of net salvage for 2008 and 2009 were not done on an account basis.
- (d) Please refer to YEC-YECL-II-2(d) Attachment 1.
- (e) Please refer to YEC-YECL-II-2(e) Attachment 1. The Gannett Fleming study contains Schedule 7.4 with the requested breakdown (please refer to pages 45 and 46 of the Gannett Fleming study).
- (f) Please refer to YEC-YECL-II-2(f) Attachment 1. For Schedule 7.4 please refer to Tables 2-1 and 2-2 of YEC-YECL-II-2(d) Attachment 1.
- (g) Depreciation for 2008 and 2009 would be as shown in the response to (e) for life related depreciation only. Part (e) is the appropriate reference because (d) is provided for the existing depreciation parameters.
- (h) Please refer to YEC-YECL-II-2(h) Attachment 1.



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- (i) The date of final removal of fixed assets and the incurrence of the related retirement obligations is indeterminate. As such, the Asset Retirement Obligation cannot be reasonably measured.
- (j) The need of whether or not an ARO will be recorded in the future will be determined once all the requirements of complying with IFRS are known.
- (k) There is no accounting standard requiring Yukon Electrical to maintain an FRSR. The accumulated depreciation related to net salvage is disclosed in a note to the financial statements.
- (l) It is anticipated that there will be a need to monitor a FRSR fund in the future..

Yukon Electrical Company Limited
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Accumulated Depreciation Net Salvage 2003-2007

	2003		2003		2003		2003		2003		2003		2003		2003		
	02-Dec Depreciation Exp	Net salvage	03-Dec Depreciation Exp	Net salvage	04-Dec Depreciation Exp	Net salvage	05-Dec Depreciation Exp	Net salvage	06-Dec Depreciation Exp	Net salvage	07-Dec Depreciation Exp	Net salvage	07-Dec Depreciation Exp	Net salvage	07-Dec Depreciation Exp	Net salvage	
Total Hydro	425	104,973	850	0	105,823	859	0	106,682	874	0	107,556	1,558	0	109,114	1,279	0	110,393
		104,973	850	0	105,823	859	0	106,682	874	0	107,556	1,558	0	109,114	1,279	0	110,393
	442	-130,536	7,063	0	-123,473	6,929	0	-116,544	6,540	0	-110,004	6,048	0	-103,956	6,233	0	-97,723
	444	7,038	3,239	0	10,277	3,301	2,500	16,078	3,104	0	19,182	4,577	0	23,759	4,815	0	28,574
	445	152,242	15,617	0	167,859	14,536	0	182,395	14,113	0	196,508	16,104	0	212,612	16,045	0	228,657
	446	10,778	5,064	-13,874	1,968	6,239	-2,606	5,601	8,960	0	14,561	5,597	0	20,158	5,634	0	25,792
	447	2,708	705	0	3,413	781	0	4,194	823	0	5,017	906	0	5,923	1,082	0	7,005
Total Diesel		42,230	31,688	-13,874	60,044	31,786	-106	91,724	33,540	0	125,264	33,232	0	158,496	33,809	0	192,305
	457	9,549	2,354	0	11,903	2,350	0	14,253	2,350	0	16,603	2,284	0	18,887	2,284	0	21,171
Total Substation		9,549	2,354	0	11,903	2,350	0	14,253	2,350	0	16,603	2,284	0	18,887	2,284	0	21,171
	471	-169	2	0	-167	0	0	-167	0	0	-167	1	0	-166	0	0	-166
	473	2,437,183	313,458	-85,690	2,664,951	323,316	-12,838	2,975,429	342,351	-31,416	3,286,364	353,071	-111,953	3,527,482	375,441	-26,254	3,876,669
	474	1,486,734	172,082	-55,745	1,603,071	178,701	-2,108	1,779,664	190,267	-11,480	1,958,451	200,844	-39,973	2,119,322	220,906	-10,068	2,330,160
	474.1	34,434	6,520	0	40,954	6,619	0	47,573	6,553	0	54,126	6,815	0	60,941	7,218	0	68,159
	475	-42,653	7,097	-62,741	-98,297	9,392	-22	-88,927	15,238	0	-73,689	9,103	0	-64,586	9,420	23	-55,143
	475.1	-583	719	0	136	750	0	886	812	0	1,698	1,050	0	2,748	869	0	3,617
	476.1	-5,383	-452	-10,894	-16,729	570	54	-16,105	3,555	0	-12,550	11	50	-12,489	-11	220	-12,280
	476.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	477.1	-11,553	2,421	0	-9,132	2,654	-152	-6,630	2,554	-100,489	-104,565	6,082	-6,240	-104,723	6,051	-7,762	-106,434
	478.1	-159,836	-10,735	-1,888	-172,459	-12,607	-750	-185,816	-13,594	-937	-200,347	-13,475	-6,008	-219,830	-16,325	435	-235,720
	478.2	-84,488	-7,184	0	-91,672	-3,966	0	-95,638	5,340	0	-90,298	-7,408	0	-97,706	-7,918	0	-105,624
	479.1	24,752	63,004	-94,812	-7,056	70,023	-17,282	45,685	85,418	9,044	140,147	71,197	1,223	212,567	76,768	9,818	299,153
Total Distribution		3,678,438	546,932	-311,770	3,913,600	575,452	-33,098	4,455,954	638,494	-135,278	4,959,170	627,291	-162,901	5,423,560	672,419	-33,588	6,062,391
	482	-123,817	-2,088	0	-125,905	-2,187	0	-128,092	-2,245	0	-130,337	-2,179	0	-132,516	-2,603	0	-135,119
	483	-2,383	-746	0	-3,129	-498	0	-3,627	117	0	-3,510	-367	0	-3,877	-295	0	-4,172
	183.2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	484	-239,260	-74,753	0	-314,013	-63,230	0	-377,243	-37,088	0	-414,331	-60,535	0	-474,866	-73,953	73,754	-475,065
	485	363	-69	0	294	-56	0	238	-12	0	226	-41	0	185	-44	0	141
	486	-2,885	-661	0	-3,546	-659	0	-4,205	-669	0	-4,874	-631	0	-5,505	-733	0	-6,238
	488.2	-937,027	-25,549	0	-962,576	-25,903	0	-988,479	-26,143	0	-1,014,622	-29,096	0	-1,043,718	-33,977	0	-1,077,695
Total GP+E		-1,305,009	-103,866	0	-1,408,875	-92,533	0	-1,501,408	-66,040	0	-1,567,448	-92,849	0	-1,660,297	-111,605	73,754	-1,698,148
Total Company		2,530,181	477,958	-325,644	2,682,495	517,914	-33,204	3,167,205	609,218	-135,278	3,641,145	571,516	-162,901	4,049,760	598,186	40,166	4,688,112

**Yukon Electrical Company Limited
2008-2009 General Rate Application**

Accumulated Depreciation Net Salvage

	2008	2009
net salv bal	4,688,111	5,520,111
NS expense	945,000	1,003,000
net salv	-113,000	-75,000
end bal	<u>5,520,111</u>	<u>6,448,111</u>

YUKON ELECTRICAL COMPANY LIMITED

TABLE 1. ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENTS, ORIGINAL COST AND ANNUAL ACCRUALS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
LIFE ANALYSIS--PREVIOUS PARAMETERS

Description (1)	Estimated Survivor Curve (2)	Estimated Net Salvage (3)	Surviving Original Cost at 12/31/2007 (4)	Calculated Accrued Depreciation (5)	Annual Accrual	
					Amount (6)	Rate (7)=(6)/(4)
Hydro Plant						
425.0 Hydro Equipment	97-SQ	** (10)	1,418,301.07	450,513	30,208	2.13
Total Hydro Plant			1,418,301.07	450,513	30,208	
Production Diesel Plant						
442.0 Structures & Improvements	40-S0.5	(5)	1,497,843.99	509,103	43,028	2.87
444.0 Fuel Holders, Products & ACC	27-S0.5	(5)	2,136,739.93	694,330	92,024	4.31
445.0 Gen. Equip & Prime Movers	27-S0.5	(5)	8,444,472.84	4,290,971	312,324	3.70
446.0 Accessory Electric Equipment	27-S0.5	(5)	2,141,821.19	992,342	82,322	3.84
447.0 Misc. Power Plant Equipment	27-S0.5	(5)	643,165.97	180,538	28,645	4.45
Total Production Diesel Plant			14,864,043.92	6,667,284	558,343	
Substation Plant						
457.0 Substation Equipment - Transmission	40-R3	(5)	1,401,497.52	646,128	36,014	2.57
Total Substation Plant			1,401,497.52	646,128	36,014	
Distribution Plant						
471.0 Land Rights	75-R3	0	928,629.61	86,134	14,121	1.52
473.0 Poles, Towers, and Fixtures	33-R2.5	(50)	22,740,165.77	8,776,111	734,047	3.23
474.0 Overhead Conductor	40-R2	(55)	15,092,499.08	4,742,378	430,343	2.85
474.1 Overhead Services	37-R2	(10)	2,305,976.34	949,907	66,874	2.90
475.0 Underground Conduit	54-R3	(2)	17,425,892.21	3,670,698	358,134	2.06
475.1 Underground Services	34-R2	(1)	2,547,049.17	786,179	85,187	3.34
476.1 Meters	25-R4	1	1,262,811.95	492,168	51,414	4.07
476.3 AMR - Meters	n/a	n/a	8,035.69	n/a	n/a	n/a
477.1 Substation Equipment - Distribution	40-R2	(2)	3,131,515.61	1,285,937	83,042	2.65
478.1 Street Lights & Signal Systems	19-R3	5	7,699,005.33	3,916,425	398,614	5.18
478.2 Sentinel Lights	17-R2	40	284,738.28	259,245	10,115	3.55
479.1 Line Transformers	30-R1.5	(10)	17,595,915.83	6,522,946	662,141	3.76
Total Distribution Plant			91,022,234.87	31,488,118	2,894,032	
General Plant						
482.0 Structures and Improvements	36-0.5	5	3,184,452.77	1,432,723	93,187	2.93
483.0 Office Furniture and Equipment	15-S4	2	219,727.68	130,559	13,907	6.33
483.2 Computer Equipment and Acc.	5-R4	0	37,419.53	23,653	7,445	19.90
484.0 Transportation & Mobile Equipment	8.5-L1.5	35	2,207,200.13	1,158,615	246,240	11.16
485.0 Tools & Instruments	10-S3	0	500,791.27	255,454	49,528	9.89
486.0 Communication Equipment	20-L4	3	491,335.99	216,518	25,123	5.11
488.2 Houses			387,953.68	-	41,899	10.80
Total General Plant			7,028,881.05	3,217,522	477,329	
Total Utility Plant in Service			115,734,958.43	42,469,565	3,995,926	3.45
Non - Depreciable Plant						
420.0 Land			119,024.92			

** Truncated to 2039

YUKON ELECTRICAL COMPANY LIMITED

TABLE 1. ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENTS, ORIGINAL COST AND ANNUAL ACCRUALS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007

SALVAGE ANALYSIS—PREVIOUS PARAMETERS

Description (1)	Estimated Survivor Curve (2)	Estimated Net Salvage (3)	Surviving Original Cost at 12/31/2007 (4)	Calculated Accrued Depreciation (5)	Annual Accrual		
					Amount (6)	Rate (7)= (6)/(4)	
Hydro Plant							
425.0 Hydro Equipment	97-SQ	** (10)	1,418,301.07	45,051	3,020	0.21	
Total Hydro Plant			1,418,301.07	45,051	3,020		
Production Diesel Plant							
442.0 Structures & Improvements	40-S0.5	(5)	1,497,843.99	25,455	2,151	0.14	
444.0 Fuel Holders, Products & ACC	27-S0.5	(5)	2,136,739.93	34,717	4,601	0.22	
445.0 Gen. Equip & Prime Movers	27-S0.5	(5)	8,444,472.84	214,549	15,616	0.18	
446.0 Accessory Electric Equipment	27-S0.5	(5)	2,141,821.19	49,617	4,116	0.19	
447.0 Misc. Power Plant Equipment	27-S0.5	(5)	643,165.97	9,027	1,432	0.22	
Total Production Diesel Plant			14,864,043.92	333,365	27,916		
Substation Plant							
457.0 Substation Equipment - Transmission	40-R3	(5)	1,401,497.52	32,306	1,801	0.13	
Total Substation Plant			1,401,497.52	32,306	1,801		
Distribution Plant							
471.0 Land Rights	75-R3	0	928,629.61	-	-	0.00	
473.0 Poles, Towers, and Fixtures	33-R2.5	(50)	22,740,165.77	4,388,056	367,023	1.61	
474.0 Overhead Conductor	40-R2	(55)	15,092,499.08	2,608,308	236,689	1.57	
474.1 Overhead Services	37-R2	(10)	2,305,976.34	94,991	6,687	0.29	
475.0 Underground Conduit	54-R3	(2)	17,425,892.21	73,414	7,163	0.04	
475.1 Underground Services	34-R2	(1)	2,547,049.17	7,862	852	0.03	
476.1 Meters	25-R4	1	1,262,811.95	(4,922)	(514)	-0.04	
476.3 AMR - Meters	n/a	n/a	8,035.69	n/a	n/a	n/a	
477.1 Substation Equipment - Distribution	40-R2	(2)	3,131,515.61	25,719	1,661	0.05	
478.1 Street Lights & Signal Systems	19-R3	5	7,699,005.33	(195,821)	(19,931)	-0.26	
478.2 Sentinel Lights	17-R2	40	284,738.28	(103,698)	(4,046)	-1.42	
479.1 Line Transformers	30-R1.5	(10)	17,595,915.83	652,295	66,214	0.38	
Total Distribution Plant			91,022,234.87	7,546,204	661,798		
General Plant							
482.0 Structures and Improvements	36-0.5	5	3,184,452.77	(71,636)	(4,659)	-0.15	
483.0 Office Furniture and Equipment	15-S4	2	219,727.68	(2,611)	(278)	-0.13	
483.2 Computer Equipment and Acc.	5-R4	0	37,419.53	-	-	0.00	
484.0 Transportation & Mobile Equipment	8.5-L1.5	35	2,207,200.13	(405,515)	(86,184)	-3.90	
485.0 Tools & Instruments	10-S3	0	500,791.27	-	-	0.00	
486.0 Communication Equipment	20-L4	3	491,335.99	(6,496)	(754)	-0.15	
488.2 Houses			387,953.68	-	(37,712)	-9.72	
Total General Plant			7,028,881.05	(486,258)	(129,587)		
Total Utility Plant in Service			115,734,958.43	7,470,668	564,948	0.49	
Non - Depreciable Plant							
420.0 Land			119,024.92				

** Truncated to 2039

YUKON ELECTRICAL COMPANY LIMITED

TABLE 2. CALCULATED ACCRUED DEPRECIATION, BOOK ACCUMULATED DEPRECIATION AND DETERMINATION OF ANNUAL PROVISION FOR TRUE-UP RELATED TO ESTIMATED ORIGINAL COST AT DECEMBER 31, 2007
LIFE ANALYSIS--PREVIOUS PARAMETERS

Description	Surviving Original Cost at 12/31/2007	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Depreciation Variance	Probable Remaining Life	Annual Provision for True-Up
(1)	(2)	(3)	(4)	(5) = (3)-(4)	(6)	(7)=(5)/(6)
Hydro Plant						
425.0 Hydro Equipment	1,418,301.07	450,513	952,397	(501,884)	32.0	(15,684)
Total Hydro Plant	1,418,301.07	450,513	952,397	(501,884)		(15,684)
Production Diesel Plant						
442.0 Structures & Improvements	1,497,843.99	509,103	663,932	(154,829)	23.9	(6,478)
444.0 Fuel Holders, Products & ACC	2,136,739.93	694,330	745,481	(51,151)	15.7	(3,258)
445.0 Gen. Equip & Prime Movers	8,444,472.84	4,290,971	4,912,880	(621,909)	13.5	(46,067)
446.0 Accessory Electric Equipment	2,141,821.19	992,342	1,167,290	(174,948)	14.4	(12,149)
447.0 Misc. Power Plant Equipment	643,165.97	180,538	207,398	(26,860)	16.4	(1,638)
Total Production Diesel Plant	14,864,043.92	6,667,284	7,696,981	(1,029,697)		(69,590)
Substation Plant						
457.0 Substation Equipment - Transmission	1,401,497.52	646,128	718,864	(72,736)	21.5	(3,383)
Total Substation Plant	1,401,497.52	646,128	718,864	(72,736)		(3,383)
Distribution Plant						
471.0 Land Rights	928,629.61	86,134	84,514	1,620	59.7	27
473.0 Poles, Towers, and Fixtures	22,740,165.77	8,776,111	9,344,550	(568,439)	17.6	(32,298)
474.0 Overhead Conductor	15,092,499.08	4,742,378	5,322,827	(580,449)	23.2	(25,019)
474.1 Overhead Services	2,305,976.34	949,907	1,096,305	(146,398)	20.6	(7,107)
475.0 Underground Conduit	17,425,892.21	3,670,688	4,033,681	(362,993)	38.5	(9,428)
475.1 Underground Services	2,547,049.17	786,179	833,169	(46,990)	20.7	(2,270)
476.1 Meters	1,262,811.95	492,168	125,724	366,444	9.2	39,831
476.3 AMR - Meters	8,035.69	n/a	-	-	n/a	-
477.1 Substation Equipment - Distribution	3,131,515.61	1,285,937	1,562,180	(276,243)	23.1	(11,959)
478.1 Street Lights & Signal Systems	7,699,005.33	3,916,425	4,183,001	(266,576)	11.4	(23,384)
478.2 Sentinel Lights	284,738.28	259,245	279,775	(20,530)	0.0	-
479.1 Line Transformers	17,595,915.83	6,522,946	7,546,291	(1,023,345)	17.0	(60,197)
Total Distribution Plant	91,022,234.87	31,488,118	34,412,017	(2,923,899)		(131,804)
General Plant						
482.0 Structures and Improvements	3,184,452.77	1,432,723	1,613,865	(181,142)	19.0	(9,534)
483.0 Office Furniture and Equipment	219,727.68	130,559	118,497	12,062	5.3	2,276
483.2 Computer Equipment and Acc.	37,419.53	23,653	145,368	(121,715)	0.0	-
484.0 Transportation & Mobile Equipment	2,207,200.13	1,158,615	1,328,874	(170,259)	5.7	(29,870)
485.0 Tools & Instruments	500,791.27	255,454	216,899	38,555	4.4	8,763
486.0 Communication Equipment	491,335.99	216,518	206,822	9,696	10.8	898
488.2 Houses	387,953.68	n/a	1,669,073	-	n/a	-
Total General Plant	7,028,881.05	3,217,522	5,299,398	(412,803)		(27,467)
Total Utility Plant in Service	115,734,958.43	42,469,565	49,079,657	(4,941,019)		(247,928)
Non - Depreciable Plant						
420.0 Land	119,024.92					

* Not applicable due to amortization of Dec 31/07 net book value over 10 year period, as shown on Table 1.

YUKON ELECTRICAL COMPANY LIMITED

TABLE 2. CALCULATED ACCRUED DEPRECIATION, BOOK ACCUMULATED DEPRECIATION AND DETERMINATION OF ANNUAL PROVISION FOR TRUE-UP RELATED TO ESTIMATED ORIGINAL COST AT DECEMBER 31, 2007

SALVAGE ANALYSIS--PREVIOUS PARAMETERS

Description	Surviving Original Cost at 12/31/2007	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Depreciation Variance	Probable Remaining Life	Annual Provision for True-Up
(1)	(2)	(3)	(4)	(5) = (3)-(4)	(6)	(7)=(5)/(6)
Hydro Plant						
425.0 Hydro Equipment	1,418,301.07	45,051	110,393	(65,342)	32.0	(2,042)
Total Hydro Plant	1,418,301.07	45,051	110,393	(65,342)		(2,042)
Production Diesel Plant						
442.0 Structures & Improvements	1,497,843.99	25,455	(97,723)	123,178	23.9	5,154
444.0 Fuel Holders, Products & ACC	2,136,739.93	34,717	28,574	6,143	15.7	391
445.0 Gen. Equip & Prime Movers	8,444,472.84	214,549	228,658	(14,109)	13.5	(1,045)
446.0 Accessory Electric Equipment	2,141,821.19	49,617	25,792	23,825	14.4	1,655
447.0 Misc. Power Plant Equipment	643,165.97	9,027	7,005	2,022	16.4	123
Total Production Diesel Plant	14,864,043.92	333,365	192,306	141,059		6,278
Substation Plant						
457.0 Substation Equipment - Transmission	1,401,497.52	32,306	21,171	11,135	21.5	518
Total Substation Plant	1,401,497.52	32,306	21,171	11,135		518
Distribution Plant						
471.0 Land Rights	928,629.61	-	(166)	166	59.7	3
473.0 Poles, Towers, and Fixtures	22,740,165.77	4,388,056	3,876,668	511,388	17.6	29,056
474.0 Overhead Conductor	15,092,499.08	2,608,308	2,330,160	278,148	23.2	11,989
474.1 Overhead Services	2,305,976.34	94,991	68,159	26,832	20.6	1,303
475.0 Underground Conduit	17,425,892.21	73,414	(55,143)	128,557	38.5	3,339
475.1 Underground Services	2,547,049.17	7,862	3,618	4,244	20.7	205
476.1 Meters	1,262,811.95	(4,922)	(12,281)	-	9.2	-
476.3 AMR - Meters	8,035.69	n/a	-	-	n/a	-
477.1 Substation Equipment - Distribution	3,131,515.61	25,719	(106,434)	132,153	23.1	5,721
478.1 Street Lights & Signal Systems	7,699,005.33	(195,821)	(235,720)	39,899	11.4	3,500
478.2 Sentinel Lights	284,738.28	(103,698)	(105,624)	1,926	0.0	-
479.1 Line Transformers	17,595,915.83	652,295	299,153	353,142	17.0	20,773
Total Distribution Plant	91,022,234.87	7,546,204	6,062,390	1,476,455		75,889
General Plant						
482.0 Structures and Improvements	3,184,452.77	(71,636)	(135,119)	63,483	19.0	3,341
483.0 Office Furniture and Equipment	219,727.68	(2,611)	(4,173)	1,562	5.3	295
483.2 Computer Equipment and Acc.	37,419.53	-	-	-	0.0	-
484.0 Transportation & Mobile Equipment	2,207,200.13	(405,515)	(475,064)	69,549	5.7	12,202
485.0 Tools & Instruments	500,791.27	-	141	(141)	4.4	(32)
486.0 Communication Equipment	491,335.99	(6,496)	(6,237)	(259)	10.8	(24)
488.2 Houses	387,953.68	n/a	(1,077,696)	-	n/a	-
Total General Plant	7,028,881.05	(486,258)	(1,698,148)	134,194		15,782
Total Utility Plant in Service	115,734,958.43	7,470,668	4,688,112	1,697,501		96,425
Non - Depreciable Plant						
420.0 Land	119,024.92					

Schedule 7.1

Yukon Electrical Company Limited
 2008 - 2009 General Rate Application
 Schedule of Depreciation Expense

Description	Test Period 2008	Test Period 2009
General Provision Life	3,829	4,243
General Provision Net Salvage	754	812
Amortization of Differences Life	(382)	(382)
Amortization of Differences Net Salvage	191	191
Vehicle Depreciation Capitalized	(24)	(24)
Rounding	(3)	(3)
Total Depreciation Expense	<u>4,365</u>	<u>4,837</u>

Schedule 7.1

Yukon Electrical Company Limited
2008 - 2009 General Rate Application
Schedule of Depreciation Expense using previous parameters

<u>Description</u>	<u>Test Period 2008</u>	<u>Test Period 2009</u>
General Provision Life	4,235	4,669
General Provision Net Salvage	585	630
Amortization of Differences Life	(248)	(248)
Amortization of Differences Net Salvage	96	96
Vehicle Depreciation Capitalized	<u>(24)</u>	<u>(24)</u>
Total Depreciation Expense	<u>4,644</u>	<u>5,123</u>

Yukon Electrical Company Limited
2008 - 2009 General Rate Application
Computation of Rate Base
(\$000s)

Schedule 8.5

Line No.	Description	Cross Ref.	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Test Period 2008	Test Period 2009
1	Property, Plant and Equipment								
2	Year end balance	S.8.6 L.8	91,872	97,216	103,029	110,103	117,486	126,696	139,035
3	Deduct:								
4	Accumulated depreciation life		37,318	39,958	42,799	45,908	49,078	52,175	54,871
	Accumulated depreciation net salvage		2,683	3,168	3,642	4,051	4,689	5,521	6,449
5	Construction-in-progress	S.9.1 L.26	609	934	427	871	1,035	620	580
6	Total deductions		<u>40,610</u>	<u>44,060</u>	<u>46,868</u>	<u>50,830</u>	<u>54,802</u>	<u>58,316</u>	<u>61,900</u>
7	Net plant in Service								
8	Current year-end balance		51,262	53,156	56,161	59,273	62,684	68,380	77,135
9	Previous year-end balance		<u>49,709</u>	<u>51,262</u>	<u>53,156</u>	<u>56,161</u>	<u>59,273</u>	<u>62,684</u>	<u>68,380</u>
10	Total		<u>100,971</u>	<u>104,418</u>	<u>109,317</u>	<u>115,434</u>	<u>121,957</u>	<u>131,064</u>	<u>145,514</u>
11	Mid-year balance		50,486	52,209	54,659	57,717	60,979	65,532	72,757
12	Mid-year rate deferred charges/credits	S.8.8 L.13	(316)	(391)	(214)	0	309	757	570
13	Working capital	S.8.9 L.29	<u>3,025</u>	<u>3,127</u>	<u>3,240</u>	<u>3,683</u>	<u>4,078</u>	<u>2,805</u>	<u>2,650</u>
14	Gross Rate Base		53,196	54,946	57,685	61,400	65,366	69,094	75,977
15	Deduct:								
16	Contributions for extensions								
17	Current year-end balance	S.8.11 L.11	18,205	18,943	19,836	21,017	22,496	24,093	25,571
18	Previous year-end balance		<u>16,882</u>	<u>18,205</u>	<u>18,943</u>	<u>19,837</u>	<u>21,017</u>	<u>22,496</u>	<u>24,093</u>
19	Total		<u>35,087</u>	<u>37,148</u>	<u>38,779</u>	<u>40,854</u>	<u>43,513</u>	<u>46,589</u>	<u>49,664</u>
20	Mid-year balance		<u>17,544</u>	<u>18,574</u>	<u>19,390</u>	<u>20,427</u>	<u>21,757</u>	<u>23,295</u>	<u>24,832</u>
21	Net Rate Base	S.8.1 L.5,10,15,20	<u>35,652</u>	<u>36,372</u>	<u>38,295</u>	<u>40,973</u>	<u>43,609</u>	<u>45,799</u>	<u>51,145</u>

Yukon Electrical Company Limited
2008 - 2009 General Rate Application
Continuity Schedule of Property, Plant and Equipment
(\$000)

Schedule 8.6

Line No.	Description	Cross Ref.	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Test Period 2008	Test Period 2009
1	Property, Plant and Equipment								
2	Balance at beginning of year		87,141	91,263	96,282	102,602	109,232	116,451	126,076
3	Additions	S.9.1 L.25	4,603	5,358	6,623	6,872	7,645	9,975	13,544
4	Retirement and disposals	S.8.7 L.20	(481)	(339)	(303)	(242)	(426)	(351)	(1,165)
5		S.7.2, 7.3 L.50	4,122	5,019	6,320	6,630	7,219	9,624	12,379
6	Balance at end of year	S.7.2, 7.3 L.52	91,263	96,282	102,602	109,232	116,451	126,076	138,455
7	Construction-in-progress	S.9.1 L.26	609	934	427	871	1,035	620	580
8	Total Property, Plant and Equipment	S.8.5 L.2	91,872	97,216	103,029	110,103	117,486	126,696	139,035
9	Accumulated Depreciation								
	Life accumulated depreciation								
10	Balance at beginning of year		34,902	37,318	39,958	42,799	45,908	49,079	52,175
11	Depreciation expense life		2,877	2,961	3,117	3,330	3,573	3,423	3,837
12	Depreciation capitalized		20	18	26	21	24	24	24
13	Retirements		(481)	(339)	(302)	(242)	(427)	(351)	(1,165)
14	Balance at end of year		37,318	39,958	42,799	45,908	49,078	52,175	54,871
15	Net Salvage accumulated depreciation								
16	Balance at beginning of year		2,530	2,683	3,168	3,642	4,051	4,689	5,521
17	Depreciation expense net salvage		478	518	609	572	598	945	1,003
18	Net Salvage accumulated depreciation		325	33	135	163	(40)	113	75
19	Balance at end of year		2,683	3,168	3,642	4,051	4,689	5,521	6,449
20	Total accumulated depreciation		40,001	43,126	46,441	49,959	53,767	57,696	61,320
21	Net Property, Plant and Equipment		51,871	54,090	56,588	60,144	63,719	69,000	77,715



THE YUKON ELECTRICAL COMPANY LIMITED

An **ATCO** Company

**2008-2009 General Rate Application
The Yukon Public Utilities Board
Information Request No. 2
Dated: September 22, 2008
YEC-YECL-II-3
Page 1 of 1**

YEC-YECL-II-3

Reference: YEC-YECL 17 (e)

- (a) Please provide copies of the Gannett Fleming Tables 1 and 2 (pages 43-46 of the Depreciation Report, in Section 7 of the GRA) showing calculated accrued depreciation, the annual accrual and the annual provision for true-up using the ASL approach consistent with YEC-YECL 17(e).
- (b) Please provide detail in support of the response to YEC-YECL 17 (e) by showing the Schedule 7.1 to 7.4 using the ASL method, and additionally provide the response with Schedules 7.1 to 7.4 breaking out the depreciation expense in 2008 and 2009 using the ASL method into (i) the portion related to the provision for net salvage and (ii) the portion related to the estimated survivor curve or other components of depreciation expense. Please separately indicate the depreciation expense for both the general provision and the amortization of differences.

Response:

- (a) Please refer to YEC-YECL-II-3(a) Attachment 1.
- (b) Please refer to YEC-YECL-II-3(b) Attachment 1. For Schedule 7.4 please refer to Tables 2-1 and 2-2 of YEC-YECL-II-3(a) Attachment 1.

YUKON ELECTRICAL COMPANY LIMITED

TABLE 1. ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENTS, ORIGINAL COST AND ANNUAL ACCRUALS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
ASSUMING USE OF THE AVERAGE SERVICE LIFE PROCEDURE
LIFE ANALYSIS

Description (1)	Estimated Survivor Curve (2)	Estimated Net Salvage (3)	Surviving Original Cost at 12/31/2007 (4)	Calculated Accrued Depreciation (5)	Annual Accrual		
					Amount (6)	Rate (7)= (6)/(4)	
Hydro Plant							
425.0 Hydro Equipment	30-R3	** (10)	1,418,301.07	674,937	47,229	3.33	
Total Hydro Plant			1,418,301.07	674,937	47,229		
Production Diesel Plant							
442.0 Structures & Improvements	40-R2.5	0	1,497,843.99	450,573	37,446	2.50	
444.0 Fuel Holders, Products & ACC	35-R4	(30)	2,136,739.93	509,965	61,111	2.86	
445.0 Gen. Equip & Prime Movers	27-R2.5	(10)	8,444,472.84	3,875,900	312,446	3.70	
446.0 Accessory Electric Equipment	35-R3	0	2,141,821.19	753,767	61,256	2.86	
447.0 Misc. Power Plant Equipment	35-R3	(5)	643,165.97	133,616	18,395	2.86	
Total Production Diesel Plant			14,864,043.92	5,723,821	490,653		
Substation Plant							
457.0 Substation Equipment - Transmission	40-R4	0	1,401,497.52	617,847	35,037	2.50	
Total Substation Plant			1,401,497.52	617,847	35,037		
Distribution Plant							
471.0 Land Rights	75-R3	0	928,629.61	74,607	12,351	1.33	
473.0 Poles, Towers, and Fixtures	40-R3	(60)	22,740,165.77	6,807,900	568,504	2.50	
474.0 Overhead Conductor	40-R3	(70)	15,092,499.08	4,303,637	377,313	2.50	
474.1 Overhead Services	40-R3	0	2,305,976.34	830,674	57,650	2.50	
475.0 Underground Conduit	50-R4	(5)	17,425,892.21	3,618,787	348,518	2.00	
475.1 Underground Services	40-R4	0	2,547,049.17	631,122	63,676	2.50	
476.1 Meters	n/a	0	1,262,811.95	-	113,709	9.00	
476.3 AMR - Meters	25-S2	0	8,035.69	161	321	4.00	
477.1 Substation Equipment - Distribution	35-R3	0	3,131,515.61	1,330,131	89,561	2.86	
478.1 Street Lights & Signal Systems	25-R3	(10)	7,699,005.33	2,968,327	307,960	4.00	
478.2 Sentinel Lights	23-R2	10	284,738.28	210,354	12,386	4.35	
479.1 Line Transformers	35-R3	(5)	17,595,915.83	5,391,948	503,155	2.86	
Total Distribution Plant			91,022,234.87	26,167,648	2,455,104		
General Plant							
482.0 Structures and Improvements	32-R4	5	3,184,452.77	1,527,857	99,673	3.13	
483.0 Office Furniture and Equipment	15-SQ	0	219,727.68	134,619	9,863	4.49	
483.2 Computer Equipment and Acc.	5-SQ	0	37,419.53	23,889	7,484	20.00	
484.0 Transportation & Mobile Equipment	10-R0.5	20	2,207,200.13	789,327	220,334	9.98	
485.0 Tools & Instruments	15-SQ	0	500,791.27	184,949	32,730	6.54	
486.0 Communication Equipment	15-SQ	0	491,335.99	271,910	28,457	5.79	
488.2 Houses	40-R3	10	387,953.68	88,921 #	9,699	2.50	
Total General Plant			7,028,881.05	3,021,472	408,240		
Total Utility Plant in Service			115,734,958.43	36,205,725	3,436,264	2.97	
Non - Depreciable Plant							
420.0 Land			119,024.92				

* Annual Accrual rate has been determined by amortizing the December 31/07 net book value over a 10 year period.
** Truncated to 2052

YUKON ELECTRICAL COMPANY LIMITED

TABLE 1. ESTIMATED SURVIVOR CURVES, NET SALVAGE PERCENTS, ORIGINAL COST AND ANNUAL ACCRUALS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2007
ASSUMING USE OF THE AVERAGE SERVICE LIFE PROCEDURE

Description (1)	Estimated Survivor Curve (2)	SALVAGE ANALYSIS		Surviving Original Cost at 12/31/2007 (4)	Calculated Accrued Depreciation (5)	Annual Accrual	
		Estimated Net Salvage (3)				Amount (6)	Rate (7)= (6)/(4)
Hydro Plant							
425.0	Hydro Equipment	30-R3	** (10)	1,418,301.07	67,494	4,723	0.33
Total Hydro Plant				1,418,301.07	67,494	4,723	
Production Diesel Plant							
442.0	Structures & Improvements	40-R2.5	0	1,497,843.99	-	-	0.00
444.0	Fuel Holders, Products & ACC	35-R4	(30)	2,136,739.93	152,990	18,333	0.86
445.0	Gen. Equip & Prime Movers	27-R2.5	(10)	8,444,472.84	387,590	31,245	0.37
446.0	Accessory Electric Equipment	35-R3	0	2,141,821.19	-	-	0.00
447.0	Misc. Power Plant Equipment	35-R3	(5)	643,165.97	6,681	920	0.14
Total Production Diesel Plant				14,864,043.92	547,261	50,498	
Substation Plant							
457.0	Substation Equipment - Transmission	40-R4	0	1,401,497.52	-	-	0.00
Total Substation Plant				1,401,497.52	-	-	
Distribution Plant							
471.0	Land Rights	75-R3	0	928,629.61	-	-	0.00
473.0	Poles, Towers, and Fixtures	40-R3	(60)	22,740,165.77	4,084,740	341,103	1.50
474.0	Overhead Conductor	40-R3	(70)	15,092,499.08	3,012,546	264,119	1.75
474.1	Overhead Services	40-R3	0	2,305,976.34	-	-	0.00
475.0	Underground Conduit	50-R4	(5)	17,425,892.21	180,939	17,425	0.10
475.1	Underground Services	40-R4	0	2,547,049.17	-	-	0.00
476.1	Meters	n/a	0	1,262,811.95	-	-	0.00
476.3	AMR - Meters	25-S2	0	8,035.69	-	-	0.00
477.1	Substation Equipment - Distribution	35-R3	0	3,131,515.61	-	-	0.00
478.1	Street Lights & Signal Systems	25-R3	(10)	7,699,005.33	296,833	30,796	0.40
478.2	Sentinel Lights	23-R2	10	284,738.28	(21,035)	(1,239)	-0.43
479.1	Line Transformers	35-R3	(5)	17,595,915.83	269,597	25,158	0.14
Total Distribution Plant				91,022,234.87	7,823,620	677,361	
General Plant							
482.0	Structures and Improvements	32-R4	5	3,184,452.77	(76,393)	(4,984)	-0.16
483.0	Office Furniture and Equipment	15-SQ	0	219,727.68	-	-	0.00
483.2	Computer Equipment and Acc.	5-SQ	0	37,419.53	-	-	0.00
484.0	Transportation & Mobile Equipment	10-R0.5	20	2,207,200.13	(157,865)	(44,067)	-2.00
485.0	Tools & Instruments	15-SQ	0	500,791.27	-	-	0.00
486.0	Communication Equipment	15-SQ	0	491,335.99	-	-	0.00
488.2	Houses	40-R3	10	387,953.68	(8,892)	(970)	-0.25
Total General Plant				7,028,881.05	(243,150)	(50,020)	
Total Utility Plant in Service				115,734,958.43	8,195,225	682,562	0.59
Non - Depreciable Plant							
420.0	Land			119,024.92			

** Truncated to 2052

YUKON ELECTRICAL COMPANY LIMITED

TABLE 2. CALCULATED ACCRUED DEPRECIATION, BOOK ACCUMULATED DEPRECIATION AND DETERMINATION OF ANNUAL PROVISION FOR TRUE-UP RELATED TO ESTIMATED ORIGINAL COST AT DECEMBER 31, 2007 ASSUMING THE USE OF THE AVERAGE SERVICE LIFE PROCEDURE

		<u>LIFE ANALYSIS</u>					
Description	Surviving Original Cost at 12/31/2007	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Depreciation Variance	Probable Remaining Life	Annual Provision for True-Up	
(1)	(2)	(3)	(4)	(5) = (3)-(4)	(6)	(7)=(5)/(6)	
Hydro Plant							
425.0	Hydro Equipment	1,418,301.07	674,937	952,397	(277,460)	16.9	(16,418)
Total Hydro Plant		1,418,301.07	674,937	952,397	(277,460)		(16,418)
Production Diesel Plant							
442.0	Structures & Improvements	1,497,843.99	450,573	663,932	(213,359)	32.2	(6,626)
444.0	Fuel Holders, Products & ACC	2,136,739.93	509,965	745,481	(235,516)	27.2	(8,659)
445.0	Gen. Equip & Prime Movers	8,444,472.84	3,875,900	4,912,880	(1,036,980)	15.5	(66,902)
446.0	Accessory Electric Equipment	2,141,821.19	753,767	1,167,290	(413,523)	25.9	(15,966)
447.0	Misc. Power Plant Equipment	643,165.97	133,616	207,398	(73,782)	30	(2,459)
Total Production Diesel Plant		14,864,043.92	5,723,821	7,696,981	(1,973,160)		(100,612)
Substation Plant							
457.0	Substation Equipment - Transmission	1,401,497.52	617,847	718,864	(101,017)	24.4	(4,140)
Total Substation Plant		1,401,497.52	617,847	718,864	(101,017)		(4,140)
Distribution Plant							
471.0	Land Rights	928,629.61	74,607	84,514	(9,907)	69.0	(144)
473.0	Poles, Towers, and Fixtures	22,740,165.77	6,807,900	9,344,550	(2,536,650)	27.3	(92,918)
474.0	Overhead Conductor	15,092,499.08	4,303,637	5,322,827	(1,019,190)	27.0	(37,748)
474.1	Overhead Services	2,305,976.34	830,674	1,096,305	(265,631)	28.7	(9,255)
475.0	Underground Conduit	17,425,892.21	3,618,787	4,033,681	(414,894)	39.7	(10,451)
475.1	Underground Services	2,547,049.17	631,122	833,169	(202,047)	30.9	(6,539)
476.1	Meters	1,262,811.95	-	125,724	-	0.0	-
476.3	AMR - Meters	8,035.69	161	-	161	24.5	7
477.1	Substation Equipment - Distribution	3,131,515.61	1,330,131	1,562,180	(232,049)	21.9	(10,596)
478.1	Street Lights & Signal Systems	7,699,005.33	2,968,327	4,183,001	(1,214,674)	17.9	(67,859)
478.2	Sentinel Lights	284,738.28	210,354	279,775	(69,421)	0.0	-
479.1	Line Transformers	17,595,915.83	5,391,948	7,546,291	(2,154,343)	27	(79,790)
Total Distribution Plant		91,022,234.87	26,167,648	34,412,017	(8,118,645)		(315,293)
General Plant							
482.0	Structures and Improvements	3,184,452.77	1,527,857	1,613,865	(86,008)	17.4	(4,943)
483.0	Office Furniture and Equipment	219,727.68	134,619	118,497	16,122	7.7	2,094
483.2	Computer Equipment and Acc.	37,419.53	23,889	145,368	(121,479)	0.0	-
484.0	Transportation & Mobile Equipment	2,207,200.13	789,327	1,328,874	(539,547)	9.5	(56,794)
485.0	Tools & Instruments	500,791.27	184,949	216,899	(31,950)	10.4	(3,072)
486.0	Communication Equipment	491,335.99	271,910	206,822	65,088	6.2	10,498
488.2	Houses	387,953.68	88,921	1,669,073	(1,580,152)	0.0	-
Total General Plant		7,028,881.05	3,021,472	5,299,398	(2,277,926)		(52,217)
Total Utility Plant in Service		115,734,958.43	36,205,725	49,079,657	(12,748,208)		(488,680)
Non - Depreciable Plant							
420.0	Land	119,024.92					

* Not applicable due to amortization of Dec 31/07 net book value over 10 year period, as shown on Table 1.

YUKON ELECTRICAL COMPANY LIMITED

TABLE 2. CALCULATED ACCRUED DEPRECIATION, BOOK ACCUMULATED DEPRECIATION AND DETERMINATION OF ANNUAL PROVISION
FOR TRUE-UP RELATED TO ESTIMATED ORIGINAL COST AT DECEMBER 31, 2007
ASSUMING THE USE OF THE AVERAGE SERVICE LIFE PROCEDURE

		<u>SALVAGE ANALYSIS</u>					
Description	Surviving Original Cost at 12/31/2007	Calculated Accrued Depreciation	Book Accumulated Depreciation	Accumulated Depreciation Variance	Probable Remaining Life	Annual Provision for True-Up	
(1)	(2)	(3)	(4)	(5) = (3)-(4)	(6)	(7)=(5)/(6)	
Hydro Plant							
425.0 Hydro Equipment	1,418,301.07	67,494	110,393	(42,899)	16.9	(2,538)	
Total Hydro Plant	1,418,301.07	67,494	110,393	(42,899)		(2,538)	
Production Diesel Plant							
442.0 Structures & Improvements	1,497,843.99	-	(97,723)	97,723	32.2	3,035	
444.0 Fuel Holders, Products & ACC	2,136,739.93	152,990	28,574	124,416	27.2	4,574	
445.0 Gen. Equip & Prime Movers	8,444,472.84	387,590	228,658	158,932	15.5	10,254	
446.0 Accessory Electric Equipment	2,141,821.19	-	25,792	(25,792)	25.9	(996)	
447.0 Misc. Power Plant Equipment	643,165.97	6,681	7,005	(324)	30	(11)	
Total Production Diesel Plant	14,864,043.92	547,261	192,306	354,955		16,856	
Substation Plant							
457.0 Substation Equipment - Transmission	1,401,497.52	-	21,171	(21,171)	24.4	(868)	
Total Substation Plant	1,401,497.52	-	21,171	(21,171)		(868)	
Distribution Plant							
471.0 Land Rights	928,629.61	-	(166)	166	69.0	2	
473.0 Poles, Towers, and Fixtures	22,740,165.77	4,084,740	3,876,668	208,072	27.3	7,622	
474.0 Overhead Conductor	15,092,499.08	3,012,546	2,330,160	682,386	27.0	25,274	
474.1 Overhead Services	2,305,976.34	-	68,159	(68,159)	28.7	(2,375)	
475.0 Underground Conduit	17,425,892.21	180,939	(55,143)	236,082	39.7	5,947	
475.1 Underground Services	2,547,049.17	-	3,618	(3,618)	30.9	(117)	
476.1 Meters	1,262,811.95	-	(12,281)	-	0.0	-	
476.3 AMR - Meters	8,035.69	-	-	-	24.5	-	
477.1 Substation Equipment - Distribution	3,131,515.61	-	(106,434)	106,434	21.9	4,860	
478.1 Street Lights & Signal Systems	7,699,005.33	296,833	(235,720)	532,553	17.9	29,752	
478.2 Sentinel Lights	284,738.28	(21,035)	(105,624)	84,589	0.0	-	
479.1 Line Transformers	17,595,915.83	269,597	299,153	(29,556)	27	(1,095)	
Total Distribution Plant	91,022,234.87	7,823,620	6,062,390	1,748,949		69,870	
General Plant							
482.0 Structures and Improvements	3,184,452.77	(76,393)	(135,119)	58,726	17.4	3,375	
483.0 Office Furniture and Equipment	219,727.68	-	(4,173)	4,173	7.7	542	
483.2 Computer Equipment and Acc.	37,419.53	-	-	-	0.0	-	
484.0 Transportation & Mobile Equipment	2,207,200.13	(157,865)	(475,064)	317,199	9.5	33,389	
485.0 Tools & Instruments	500,791.27	-	141	(141)	10.4	(14)	
486.0 Communication Equipment	491,335.99	-	(6,237)	6,237	6.2	1,006	
488.2 Houses	387,953.68	(8,892)	(1,077,696)	1,068,804	0.0	-	
Total General Plant	7,028,881.05	(243,150)	(1,698,148)	1,454,998		38,298	
Total Utility Plant in Service	115,734,958.43	8,195,225	4,688,112	3,494,832		121,618	
Non - Depreciable Plant							
420.0 Land	119,024.92						

Schedule 7.1

Yukon Electrical Company Limited
2008 - 2009 General Rate Application
Schedule of Depreciation Expense Using the Average Service Life Procedure

Description	Test Period 2008	Test Period 2009
General Provision Life	3,652	4,047
General Provision Net Salvage	708	762
Amortization of Differences Life	(489)	(489)
Amortization of Differences Net Salvage	122	122
Vehicle Depreciation Capitalized	(24)	(24)
Total Depreciation Expense	3,969	4,418



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Reference: YEC-YECL 17 (h)

- (a) Please expand upon the response to YEC-YECL-17(h) to provide a detailed explanation and data in support of the different Estimated Net Salvage rates for the following items listed in Table 1 of the Gannett Fleming depreciation study included in the YECL GRA and Table 1A of the Gannett Fleming Depreciation Study conducted for Yukon Energy and included as Attachment 1 to YEC-YECL-II-2(b)(iii) to these interrogatories
 - (i) Distribution poles, towers and fixtures;
 - (ii) Overhead conductors and services;
 - (iii) Fuel holders, products and ACC;
 - (iv) Gen. equipment and prime movers.

- (b) With reference to Table 2 at page 46 of the Gannett Fleming Study included in Section 7 of the YECL 2008/2009 GRA,
 - (i) Please provide a full explanation of the situation giving rise to the significant Variance in Accumulated Depreciation (\$1.068) net salvage for company owned houses (Account 488.2).
 - (ii) Please provide the net salvage rate applied to this account prior to this Gannett Fleming depreciation study included as part of Section 7 to the YECL 2008/2009 GRA.



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Response:

- (a) Yukon Electrical notes this question is requesting an expanded response to YEC-YECL-17(h), and requests explanation and support concerning the net salvage estimates developed by Gannett Fleming. However the original question YEC-YECL-17(h) was specific to asset lives and never requested any information with regard to net salvage. The original question was as follows:

“Please identify any asset lives used in the Depreciation Study that are less than the assets lives used (and approved by the YUB) for YEC for comparable assets (e.g. wood poles) in their last GRA, and provide an explanation and justification for each such shorter asset life adopted in the Depreciation study filed in YECL’s Application.”

However in an effort to be as responsive as possible, Yukon Electrical is providing a response to this new un-related information request dealing with net salvage estimates.

The process used to determine the net salvage percentages for Yukon Electrical in this depreciation study was different than the process used in the depreciation study prepared by Gannett Fleming for Yukon Energy Corporation. At page II-6 of the Gannett Fleming Depreciation Study conducted for YEC (as included as attachment 1 to YEC-YECL-II-2(b)(iii)), the following is stated:

“Given the limited retirement experience, the estimates of net salvage were based primarily on judgment. The net salvage estimates were based on considerations of several factors including the net salvage characteristics of other electric utility properties, knowledge of management’s plans and operating practices, and previous net salvage estimates used by the company.”

Given the limited retirement experience for YEC, Gannett Fleming developed net salvage estimates that would be considered as being at the low end of a range of reasonable net salvage rates. Selection of net salvage estimates at a low end of a range is appropriate in the circumstances that were facing YEC at that time. Until sufficient retirement data is collected, Gannett Fleming agrees that the net salvage percentages as developed for YEC are appropriate for YEC. However,



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retirement experience may in future years, indicate a requirement for larger net salvage percentages.

In contrast, the data sets provided to Gannett Fleming from Yukon Electrical included a significant level of retirement experience allowing for a much more detailed analysis of net salvage as described at pages II-26 and II-27 of the Gannett Fleming Yukon Electrical Depreciation Study. In the approach used for Yukon Electrical, the statistical analysis of the available retirement data becomes an important component of the net salvage estimate, which is then discussed with internal company experts, and compared to a peer group of companies, and prior estimates. As such, the process as used for the YEC study became only one step of the 6 step process used in the Yukon Electrical study.

The net salvage estimate for account 473.0 – Distribution Poles, Towers, and Fixtures was largely influenced by the 25 years of historic retirement experience. As indicated at Page V-11, the retirement experience over the past 25 years has indicated an actual cost of retirement of -83%, with net salvage percentages being in excess of -100% in 7 of the years. Also as indicated at page V-12 of the Depreciation Study report the most recent 5 year rolling band of historic retirement experience shows a cost of retirement of -98%, and the most recent 8 of the 3-year moving averages indicate net salvage requirements ranging from -77% to -159%. Based on this historic retirement experience, a net salvage estimate of between -80 to -100% would be appropriate. However, the previously approved estimate for this account was -50%. Therefore, it was determined that a moderated increase to -60% would be reasonable at this time, with further increases likely in future studies.

The net salvage estimate for account 474.0 – Distribution Overhead Conductor was also largely influenced by the 25 years of historic retirement experience. As indicated at Page V-13, the retirement experience over the past 25 years has indicated an actual cost of retirement of -115%, with net salvage percentages being in excess of -100% in 9 of the years. Also as indicated at page V-14 of the Depreciation Study report the most recent 5 year rolling band of historic retirement experience shows a cost of retirement of -176%, and the most recent 8 of the 3-year moving averages indicate net salvage requirements that all exceed -86%. Based on this historic retirement experience, a net salvage estimate of between -90 to -110% would be appropriate. However, the previously approved estimate for this account was -55%, and an increase of this



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magnitude would be too drastic to implement all at once. Therefore, it was determined that an increase to -70% would be reasonable at this time, with further increases likely required in future studies.

In both Account 444.0 – Fuel Holders, Products, and ACC, and Account 445.0 – Generating Equipment and Prime Movers, the amount of recent historic retirement experience was not as extensive as in the other accounts. However the experience did indicate some trends that were meaningful. Specifically, even the limited retirements in both accounts do indicate a trend to negative net salvage requirements. Additionally Gannett Fleming noted that the recent years which had larger levels of retirements generally provided larger levels of costs of retirements. This trend is consistent with the increasing level of environmental requirements that these types of assets are subjected to when removed. As such, it was considered appropriate to raise the net salvage percentages from the -5% previously approved in both accounts to -30% and -10% for accounts 444.0 and 445.0 respectfully.

- (b) (i) Since 1986, the net salvage rate applied to houses was -9.72% which was the rate applied to Alberta Power houses. Use of this rate resulted in significant expense over time. Because there were no general rate applications since 1996 the rate remained in place. Mr. Kennedy's depreciation study included an examination of the appropriate life and net salvage parameters to use for houses. The Calculated Accumulated Depreciation Net Salvage resulting from the recommended net salvage percentage results in significantly lower accumulated depreciation compared to the book accumulated depreciation net salvage.
- (ii) The net salvage rate was -9.72%.