Yukon Electrical Company Limited carrying on business as ATCO Electric Yukon (AEY) — 2023-24 General Rate Application

Yukon Utilities Board (YUB) Information Requests (IRs) Round 2 to ATCO Electric Yukon Depreciation

YUB-AEY-02-001

Reference: **Section 07 — Updated Depreciation – Clean, Section 7: Depreciation, Table 7-1: Depreciation, Table 7-2: Amortization of Contributions and Table 7-3: Negative Net Salvage, PDF pages 1-3;**
Attachment 1 — 2022 Depreciation Study Report, PDF pages 41-42;
GRA Schedules, Schedule 7-4 and Schedule 8.6

Issue: **Depreciation expense**

Quote: 8. AEY is requesting Board approval to resume collection of Negative Net Salvage in revenue requirement. Concentric confirmed the need for Negative Net Salvage in order to minimize future intergenerational equity issues, as well as to reduce the risk of larger-scale increases in net salvage rates being necessary in the future. The current reserve balance of $0.5 million is not enough to fund upcoming retirements and salvage work. These identified factors support AEY's position that the collection of Negative Net Salvage should be restarted during this Test Period. The estimates for salvage depreciation included in this Application have been updated to the final Concentric Depreciation Study balances. AEY requested that Concentric consider a phase-in approach to the re-instatement of Negative Net Salvage to mitigate rate pressures in the Yukon, while ensuring the appropriate funding is collected for future salvage and restoration work. (Footnotes omitted)

Request:

(a) Referring to Table 7-1 and the years 2022 and 2023, how much of the decrease of $0.656 million[1] in Depreciation Expense — Life is attributable to changes in capital balances and how much is attributable to changes in the depreciation parameters related to average service life?

(b) Referring to Table 7-2, please explain how the amortization rate for contributions is determined. Please also include an explanation for how contributions are tracked and AEY's process for retiring contributions.

(c) Referring to Table 7-3, please identify for each of the years 2022, 2023 and 2024 the five largest capital projects and their respective Removals costs (also referred to as "net salvage" [NS] costs) that were incurred or are forecast to be incurred. These Removals costs for the years 2022, 2023 and 2024 comprise the $0.874 million (actual), $1.0 million and $1.264 million (forecast) amounts respectively shown on Table 7-3.

(d) Referring to the response to part (c), please indicate if any of the projects and related Removals costs identified are for terminal asset retirements as opposed to asset retirements related to replacement projects.

[1] Calculated as 2022 actual of $7.343 million less 2023 forecast of $6.687 million = decrease of $0.656 million.

(e) Please update Table 7-3 to include historical information commencing with the opening balance of the year 2007.

(f) Please explain how AEY forecasts net salvage costs. For example, are they forecast as stand-alone amounts based on past experience with a similar project, or are they forecast based on an allocation of the total forecast project costs?

(g) Please confirm that there was no net salvage expense collected during the time period that AEY has been denied the pre-collection of net salvage costs in depreciation expense and that any net salvage expenditures were costs AEY recorded against the net salvage reserve balance.

(h) Please provide a table of the last Board-approved net salvage percentages used by AEY prior to the Board denying the pre-collection of net salvage costs in depreciation expense commencing in 2008. Please include a column on this table with the net salvage percentages proposed by AEY in the current application.

(i) Referring to paragraph 8 as quoted above, what other alternatives to the proposed "phase-in approach" did AEY or Concentric Advisors, ULC (Concentric) consider? For example, did either party consider a proposal to implement the pre-collection of net salvage for a few key/major accounts, or did either party consider a method to capitalize net salvage costs (for replacement projects) or expense net salvage costs (for terminal retirement projects) as they are incurred? Please fully explain why or why not and provide an explanation of the positive and negative aspects of each potential method, including the status quo of not pre-collecting net salvage. Please ensure that a detailed discussion of all aspects pertaining to intergenerational equity for each method is provided.

(j) Please provide details respecting the net salvage methodologies used by AEY's peer comparators.

(k) For the purposes of the amortization of reserve differences calculation for net salvage costs, please clarify how Concentric established the 2023 opening balances of book-accumulated depreciation — net salvage on an account-by-account basis. For example, did this information continue to be tracked by AEY on an ongoing basis, notwithstanding that AEY was denied the pre-collection of net salvage costs in depreciation expense commencing in 2008, or were the 2023 opening balances of book-accumulated depreciation — net salvage the result of some allocation method?

(l) Please provide a revised copy of GRA Schedule 8.6 (Lines 16-25) to include the following breakdown of that information into Accumulated Depreciation — Life and Accumulated Depreciation — Net Salvage.

(m) Please confirm that AEY proposes to either refund or collect any amortization of reserve differences as a dollar amount as indicated on GRA Schedule 7-4.

(n) Referring to Attachment 1 — 2022 Depreciation Study Report, PDF pages 41-42, please respond to the following in respect of accumulated depreciation — life balances:

    i. Provide historical information or events explaining why accounts 333.00, 342.20 and 347.20 remain significantly over-recovered in terms of book-accumulated depreciation balances that exceed the calculated accumulated depreciation balances.

ii. Provide historical information or events explaining why account 343.20 remains significantly under-recovered in terms of calculated accumulated depreciation balances that exceed the book-accumulated depreciation balances.

iii. Provide historical information or events explaining why a significant portion of the distribution plant accounts remain significantly over-recovered in terms of book-accumulated depreciation balances that exceed the calculated accumulated depreciation balances. For example, please refer to accounts 364.00, 365.00, 365.10, 367.00, 367.10, 368.00 and 373.00.

iv. Provide historical information or events explaining why accounts 391.10 and 392.20 remain significantly over-recovered in terms of book-accumulated depreciation balances that exceed the calculated accumulated depreciation balances.

v. Explain why accounts 334.00, 335.00 and 390.01 indicate negative book-accumulated depreciation — life balances.

(o) Referring to the explanations provided to part (n), would AEY agree to update its amortization of reserve differences amounts at the time of a future technical update as opposed to at the time of a full depreciation study? Please respond and provide all reasons why it would be or would not be beneficial for AEY to do so.

YUB-AEY-02-002
Reference: **GRA Regulatory Schedules — Updated re Depreciation Study**
Issue: **Depreciation expense**
Quote: GRA Schedule 7.2 excerpt and note (1):

ATCO Electric Yukon (AEY)
2023 - 2024 General Rate Application (GRA)

Calculation of Depreciation Expense 2023
($000)

Line No.	Acct.	Description	Cross Ref.	2023 Opening PPE	Depreciation Life Rate	Depreciation on Opening Balance	Net Capital Additions	Depreciation on Capital Additions	2023 Life Depreciation
49	303 00	Demand Side Management[1]		923	20.00%	-	(923)	(185)	(185)
51									
52		Demand Side Management Depreciation Adjustment[1]							(378)
53									
54									
56		Plant Not Studied - Fish Lake Water License, DSM & Land		3,550					

(1) Demand side management (DSM) costs have been fully depreciated and needs to be retired. Upon review of this asset, AEY notes that demand side management has been over depreciated for 2.3 years. As a result, there will be no depreciation on the opening balance, there will be a credit to depreciation of 185 on the immediate retirement of this asset and an additional credit adjustment of 378. This results in a decrease to depreciation expense and revenue requirement.

Preamble: Schedule 7.2, Line 49 shows there is a 2023 opening balance of $0.923 million in DSM that is retired in that same year (as indicated by the negative capital addition).

Request:

(a) Referring to the ($0.185 million and $0.378 million) amounts indicated in note (1) on Schedule 7.2, please provide an explanation for how the over-depreciation occurred, and also identify the AEY processes and controls that are in place to prevent a similar occurrence of over-depreciation in the future for this or any other account.

(b) Please provide an expanded explanation for the decrease of $0.656 million[2] in depreciation expense — life between 2022 and 2023 that includes the error noted on Schedule 7.2, Line 49.

YUB-AEY-02-003

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF pages 7-8 and 13**

Issue: **Depreciation expense**

Quote: PDF pages 7-8:

AEY has provided Concentric with the required information, as of December 31, 2022. This information has been compiled from the plant accounting records and includes the following:

▪ current balances by vintage year for each account (aged balances) through December 31, 2022. The balances provide the amount of investment sorted by installation year. This file is only inclusive of plant in service and does not include any retirement information;

▪ retirement transactions for all accounts through December 31, 2022. The transactions include information regarding the transaction year of the retirement, the installation year of the asset being retired, and the original cost of the asset being retired; and

▪ cost of removal and gross salvage transactions for all accounts requiring the recovery of net salvage through December 31, 2022. The transactions include information regarding the transaction year of the retirement, the costs associated with the retirement, and any gross salvage proceeds from the sale or reuse of the property.

PDF page 13:

The estimates of net salvage for the mass property accounts were based in part on historical data related to actual retirement activity for the years 1983 through 2022, with the majority of relevant cost of removal transactions occurring in the last 10 years.

Request:

(a) Referring to the table of comparison of account numbers used in the previous study to the account numbers used in this study prepared by Concentric, please explain whether, as a result of renaming the asset accounts, there were any transfers of asset data and costs between plant accounts. If confirmed, please explain how these transfers affected the outcome of the Depreciation Study for that or those account(s).

(b) Please provide a copy of the interview notes prepared by Concentric during its management and operational staff interviews as a component of the preparation of the Depreciation Study.

[2] Calculated as 2022 actual depreciation expense – life of $7.343 million less 2023 forecast depreciation expense – life of $6,687 = decrease of $0.656 million.

(c) Please provide tables summarizing the statistical peer information, identified by peer utility, used by Concentric for each of the depreciation parameters of average service life, Iowa curve and net salvage percentage.

(d) Based on the above quotes, it would appear that AEY provided all actuarial information to Concentric. However, certain placement and experience bands shown in sections 6 and 7 of the 2022 Depreciation Study Report indicate that bands of information were considered. The Board seeks to understand how Concentric generally used the data provided to it in relation to the range of dates or bands of dates indicated on the retirement rate and the net salvage study pages submitted.

For example, for Account 365.10 — Distribution Plant — Overhead Services, Concentric used a placement band from 1945-2022; an experience band from 1962-2022 (PDF page 98); and, on the net salvage study, examined information from 1996-2022 (PDF page 149).

i. Should the 1962-2022 experience band dates be interpreted as having no asset retirements from 1945-1962?

ii. Should the net salvage study information be interpreted that there may have been retirements between the years 1983 and 1996 but that there was no net salvage recorded until 1996?

Please explain fully whether there have been any restrictions placed on the data available to Concentric in the 2022 Depreciation Study Report.

YUB-AEY-02-004

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF pages 14-15, 47 and 136**

Issue: **Depreciation expense — Account 331.00 — Hydro generation plant — Structures and improvements**

Quote: Conversations with AEY operational staff and subject matter experts indicated that the recommended life for this account is consistent with their opinion that there is no change in practice and the future retirement activity should not be materially different from what has been experienced in the past.

Request:

(a) Other than a smaller residual measure associated with the proposed 70-R2 life-curve, what other rationale is there for a change from the currently approved 72-R2 life-curve for Account 331.00 — Hydro generation plant — Structures and improvements given the comments from AEY employees?

(b) Please confirm there were no asset retirements prior to 2013 for Account 331.00 — Hydro generation plant — Structures and improvements.

(c) Referring to PDF page 136, please provide a reason for the net salvage amount of positive $10,978 in 2020 (the equivalent of gross salvage).

YUB-AEY-02-005

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF pages 15, 49 and 137**

Issue: **Depreciation expense — Account 332.00 — Hydro generation plant — Reservoirs, dams and waterways**

Quote: Although roughly half of the historical retirements were experienced before age 30 ($379,932), conversations with AEY operational staff and subject matter experts indicated that the recommended life for this account is consistent with their opinion that there is no change in practice and the future retirement activity should not be materially different from what has been experienced in the past.

Request:

(a) Please provide the range of years (of data) used in the experience band in AEY's previous Depreciation Study for Account 332.00 — Hydro generation plant — Reservoirs, dams and waterways.

(b) Other than a smaller residual measure associated with the proposed 100-R3 life-curve, what other rationale is there for a change from the currently approved 103-R3 life-curve for Account 332.00 — Hydro generation plant — Reservoirs, dams and waterways given the comments from AEY employees?

(c) Please confirm that there were no asset retirements or NS costs prior to 2019 for Account 332.00 — Hydro generation plant — Reservoirs, dams and waterways. If not confirmed, please explain the range of dates used in the net salvage study (2019-2022).

(d) Please provide detail supporting the negative net salvage amount of $44,309 incurred in 2019 for this account. Please include supporting documentation such as an invoice or similar substantiation.

YUB-AEY-02-006

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF pages 16, 52 and 138**

Issue: **Depreciation expense — Account 333.00 — Hydro generation plant — Water wheels, turbines, and generators**

Quote: AEY has incurred almost $97,000 in cost of removal in this account between 2019-2022. The historical net salvage activity shows a range from negative nine percent to negative 13 percent.

Request:

(a) Please confirm that PDF page 138 shows cost of removal of approximately $15,000 for Account 333.00 — Hydro generation plant — Water wheels, turbines, and generators between 2019-2022.

(b) Please confirm there were no asset retirements or NS costs prior to 2019 for Account 333.00 — Hydro generation plant — Water wheels, turbines, and generators. If not confirmed, please explain the range of dates used in the net salvage study (2019-2022) and why the net salvage costs total $15,446 as opposed to $97,000.

YUB-AEY-02-007

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF page 139**
Issue: **Depreciation expense — Account 334.00 — Hydro generation plant — Accessory electric equipment;**
Depreciation expense — Account 335.00 — Hydro generation plant — Miscellaneous power plant equipment

Preamble: The Board observes that there was no written analysis provided for these two accounts in the Depreciation Study Report, as identified above.

Request:

(a) Please provide an explanation for the proposed change in life-curve for Account 334.00 — Hydro generation plant — Accessory electric equipment from the currently approved 45-R3 to the proposed 40-R2.5.

(b) Please provide an explanation for the proposed change in life-curve for Account 335.00 — Hydro generation plant — Miscellaneous power plant equipment from the currently approved 30-R2 to the proposed 51-R4.

(c) Please confirm that there were no asset retirements or net salvage costs prior to 2019 for Account 335.00 — Hydro generation plant — Miscellaneous power plant equipment. If not confirmed, please explain the range of dates used in the net salvage study (2019-2022).

YUB-AEY-02-008

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF page 140**
Issue: **Depreciation expense — Account 341.20 — Diesel generation plant — Internal combustion structures**

Request:

(a) Please confirm that there were no net salvage costs between the years 1971-2002 for Account 341.20 — Diesel generation plant — Internal combustion structures.

YUB-AEY-02-009

Reference: **Attachment 1 — 2022 Depreciation Study Report, PDF pages 18-19 and 142**
Issue: **Depreciation expense — Account 343.20 — Diesel generation plant — Internal combustion generators**

Request:

(a) Given that the placement and experience bands for this account indicate data is available commencing in the years 1945 and 1959 respectively, please explain why retirement and net salvage data encompassing only the years 2013-2022 was used in the net salvage study for Account 343.20 — Diesel generation plant — Internal combustion generators.

(b) Please provide any other rationale for proposing a net salvage of -10 percent, which is a greater negative than AEY's peers which indicate net salvage ranging from zero to -5 percent.

YUB-AEY-02-010
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF pages 19 and 143
Issue: Depreciation expense — Account 345.20 — Diesel generation plant — Internal combustion accessory

Request:
(a) Given that the placement and experience bands for Account 345.20 — Diesel generation plant — Internal combustion accessory indicate data is available commencing in the years 1957 and 1960 respectively, please explain why retirement and net salvage data encompassing only the years 2013-2022 was used in the net salvage study.

(b) Please provide any other rationale for proposing a net salvage of -10 percent, which is a greater negative than AEY's peers which indicate net salvage ranging from zero to -8 percent.

YUB-AEY-02-011
Reference: Attachment 1 - 2022 Depreciation Study Report, PDF pages 76-77
Issue: Depreciation expense — Account 347.20 — Diesel generation plant — Renewable energy storage

Preamble: The Board observes that there was no written analysis provided for this account in the Depreciation Study Report.

Request:
(a) Please provide an explanation of the nature of the assets in Account 347.20 — Diesel generation plant — Renewable energy storage and include all rationale relied on by Concentric supporting the proposed 25-R3 life-curve.

YUB-AEY-02-012
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF page 82
Issue: Depreciation expense — Account 360.10 — Distribution plant — Land rights

Request:
(a) Please confirm there were no asset retirements prior to the year 2022 for Account 360.10 — Distribution plant — Land rights.

YUB-AEY-02-013
Reference: Attachment 1 - 2022 Depreciation Study Report, PDF page 145
Issue: Depreciation expense — Account 362.00 — Distribution plant — Station equipment

Request:
(a) Please explain why no net salvage costs were recorded in relation to asset retirements during the years 1985-1991, whereas commencing in the year 2018, net salvage costs for the related asset retirements have been recorded for Account 362.00 — Distribution plant — Station equipment.

YUB-AEY-02-014

Reference: Attachment 1 - 2022 Depreciation Study Report, PDF pages 9 and 33

Issue: Depreciation expense — Account 362.10 — Distribution plant — System communication and control

Preamble: The Board observes that there was no written analysis provided for this account in the Depreciation Study Report.

Request:

(a) Please explain why Account 362.10 — System communication and control appears to have been classified from a General Plant grouping (previously identified as Account 486.00 - Communication Equipment) to a Distribution Plant grouping in the current application.

(b) Please provide support for the assumption that the same 15-SQ life-curve is applicable irrespective of whether the account and the assets accounted for therein, is under a Distribution plant or General plant grouping.

(c) Please provide detail supporting the negative net salvage amount of $251.01 incurred in 2022 for this account. Please include supporting documentation such as an invoice or similar substantiation.

(d) Please explain how net salvage costs (estimated by Concentric to be -10 percent) will be treated for Account 362.10 — System Communication and Control which is a square curve account falling under AEY's amortization accounting.

YUB-AEY-02-015

Reference: Attachment 1 — 2022 Depreciation Study Report, PDF pages 21-25, 33-34 and 147-151

Issue: Depreciation expense — Distribution plant:
Account 364.00 — Poles, towers, and fixtures;
Account 365.00 — Overhead conductors and devices;
Account 365.10 — Overhead services;
Account 367.00 — Underground conductor and devices; and
Account 367.10 — Underground services

Request:

(a) Please provide an explanation for the trend toward longer service lives for the referenced distribution plant accounts. For example, does AEY have an ongoing maintenance program that the longer lives can be attributed to, or is there some other factor? Please explain fully.

(b) For Account 364.00 — Distribution plant — Poles, towers, and fixtures, please provide any other rationale for proposing a net salvage of -50 percent, which is a greater negative than AEY's peers which indicate net salvage ranging from zero to -40 percent.

(c) For Account 365.10 — Distribution plant — Overhead services, please provide any other rationale for proposing a net salvage of -10 percent, which is a greater negative than AEY's peers which indicate net salvage ranging from zero to -8 percent.

(d) For Account 367.00 — Distribution plant — Underground conductor and devices, please provide any other rationale for proposing a net salvage of -25 percent, which is a greater negative than AEY's peers which indicate net salvage ranging from zero to -10 percent.

(e) Referring to PDF pages 147-150 respectively for Account 364.00 — Distribution plant — Poles, towers, and fixtures, Account 365.00 — Distribution plant — Overhead conductors and devices, Account 365.10 — Distribution plant — Overhead services and Account 367.00 — Distribution plant — Underground conductor and devices, please explain why there has been no gross salvage reported for the years 2018-2022 notwithstanding indications that the assets were salvageable in years prior to 2018.

(f) Referring to PDF page 151, for Account 367.10 — Distribution plant — Underground services, please explain the absence of net salvage costs for the years 2010-2012.

YUB-AEY-02-016
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF page 152
Issue: Depreciation expense — Account 368.00 — Distribution plant — Line transformers

Request:
(a) Please explain why there have been net salvage costs for the years 2020 and 2022 for Account 368.00 — Distribution plant — Line transformers without corresponding asset retirements.

(b) Please explain why there has been no gross salvage reported for the years 2018-2022 notwithstanding indications that the assets were salvageable in years prior to 2018.

YUB-AEY-02-017
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF pages 26 and 153
Issue: Depreciation expense — Account 370.00 — Distribution plant — Conventional meters

Request:
(a) Please identify the types of net salvage costs being incurred for Account 370.00 — Distribution plant — Conventional meters.

(b) Please provide any other rationale for proposing a net salvage of -5 percent, which is a greater negative than AEY's peer comparators which indicate net salvage of zero percent.

YUB-AEY-02-018
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF page 154
Issue: Depreciation expense — Account 371.00 — Distribution plant — AMR meters

Request:
(a) Please identify the types of net salvage costs being incurred for the retirement of assets in Account 371.00 — Distribution plant — AMR meters for the years 2021 and 2022.

YUB-AEY-02-019
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF pages 27, 116 and 155
Issue: Depreciation expense — Account 371.00 — Distribution plant — Street lights

Request:
(a) Please provide any other rationale for proposing an average service life of 30 years for Account 371.00 — Distribution plant — Street lights, which is shorter than AEY's peers which indicate a minimum average service life of 40 years and maximum average service life of 50 years.

(b) Please add smooth curves for an Iowa 40-R3 and Iowa 50-R3 to the Actual and Smooth Survivor Curve plot for this account (PDF page 116).

(c) Please explain why there has been no gross salvage reported for the years 2016-2022 notwithstanding indications the assets were salvageable in years prior to 2016.

YUB-AEY-02-020
Reference: Attachment 1 — 2022 Depreciation Study Report, PDF page 34
Issue: Depreciation expense — General plant:
Account 391.10 — Computer Hardware & voice and data network, 5-SQ; and
Account 391.22 — Computer software and application major (10 YR), 10-SQ

Preamble: In the prior Depreciation Study, it appears that AEY held two computer-related accounts within its General plant category: Account 483.20 — Computer Hardware/Software (5-SQ) and Account 496.00 — Software (10-S3). Although no information was provided in the current Depreciation Study, it appears that AEY has reclassified these accounts and renumbered and renamed them as follows:

Account 391.10 — Computer hardware & voice and data network, 5-SQ
Account 391.22 — Computer software and application major (10 YR), 10-SQ

Request:
(a) Please provide an explanation of whether and how the assets previously held in Account 483.20 — Computer Hardware/Software and Account 496.00 — Software have been reclassified or re-categorized into the new accounts noted above.

(b) Please provide peer statistics for service life for equivalent accounts as they are now proposed as Account 391.10 — Computer hardware & voice and data network, 5-SQ and Account 391.22 — Computer software and application major (10 YR), 10-SQ.

YUB-AEY-02-021

Reference: Attachment 1 - 2022 Depreciation Study Report, PDF page 34

Issue: Depreciation expense — General Plant — Transportation equipment: Account 392.20 — Fleet, Category 2; Account 392.30 — Fleet, Category 3; and Account 392.40 — Fleet, Category 4

Preamble: In the prior Depreciation Study, it appears that AEY held a single Account 484.00 for all Transportation Equipment, Fleet Vehicles that was subject to a 12-L0 service life, Iowa Curve (life-curve) parameter. Although no information was provided in the current Depreciation Study, it appears AEY has separated the single Account 484.00 into three subcategories and renumbered and renamed them as follows:

Account 392.20 — Transportation Equipment, Fleet, Category 2, 12-L3, +10% NS
Account 392.30 — Transportation Equipment, Fleet, Category 3, 15-L3, 0% NS
Account 392.40 — Transportation Equipment, Fleet, Category 4, 12-L0, 0% NS

Request:

(a) Please provide information supporting the reclassification of (previously used) Account 484 into three subcategories as noted above. Please include in the response details of the types of assets in each of the three categories and why the service lives are proposed to change for each category from the approved 12-L0 life-curve.

(b) Please explain why only Account 392.20 shows a proposed positive 10 percent net salvage (+10% NS) (i.e., gross salvage) whereas Account 392.30 and Account 392.40 do not appear to provide for expected positive net salvage.

(c) Please provide peer statistics for both service life and net salvage percentages for equivalent accounts.

YUB-AEY-02-022

Reference: Attachment 1 - 2022 Depreciation Study Report, PDF pages 198, 203 and 208-209

Issue: Depreciation expense — fully amortized assets remaining in service

Request:

(a) Referring to Section 8 of the Depreciation Study, please confirm that assets for which original costs are indicated in combination with a calculated accumulated depreciation factor of 1.000 remain in service as used and useful utility assets. For example, please refer to Account 370.00 — Distribution plant — Conventional meters and Account 373.10 — Distribution plant — Sentinel lights.

(b) Referring to Section 8 of the Depreciation Study, please explain why Account 391.10 — General plant — Computer hardware & voice and data network and Account 391.22 — General plant — Computer software and application major (10-SQ) have assets with vintages of 2017 and 2012 respectively remaining in service. Please include in the explanation how having fully depreciated assets in these accounts accords with AEY's application of amortization accounting and the use of SQ curves.