

BOMA INTERROGATORY #8

INTERROGATORY

Ref: Exhibit B, Tab 2, Schedule 2, p3 of 11

Please explain the significance of the Net Salvage Adjustments.

RESPONSE

The net salvage adjustment amounts included within the continuity of accumulated depreciation schedules reflects the EB-2012-0459 Board approved annual site restoration cost net refund amount. Over the 2014 through 2018 period, the Board ordered the refund of \$379.8 million in previously collected site restoration costs (or net salvage amounts), in annual amounts of \$96.8 million, \$90.4 million, \$83.9 million, \$77.5 million, and \$31.1 million respectively. The refund was in conjunction with the Company's approved adoption of the Constant Dollar Net Salvage ("CDNS") method, from the Traditional method, for determining site restoration cost requirements, and the provision to be included within composite depreciation rates. The adoption of the CDNS method resulted in the determination that the Company had previously collected excess site restoration costs, through depreciation rates which had utilized the Traditional method, as compared to requirements determined under the CDNS method. The excess site restoration costs, which had been collected through higher prior depreciation charges, were reflected in higher utility accumulated depreciation balances. Throughout the year, the approved annual refund amount is debited to accumulated depreciation, to offset the impact of prior collections, and a corresponding credit is placed into the Constant Dollar Net Salvage Adjustment Deferral Account ("CDNSADA"). The approved credit amounts recorded in the CDNSADA are then offset by the actual amounts returned to customers through Rider D. As a result, the CDNSADA balance reflects the variance between approved refund amounts, and the actual amounts refunded.

The sum of the net salvage adjustments shown in column 3, on pages 3 and 5, of Exhibit B, Tab 2, Schedule 2, reflects the approved 2016 refund, and resultant reduction in accumulated depreciation, of \$83.9 million.

Witness: S. Riccio