- For depreciation/amortization on capital additions during the current year, depreciation commences in the month following the month the asset is capitalized and ends in the month the asset is taken out of service. This methodology ensures an accurate and precise calculation of depreciation in both the beginning and ending year of service. CNPI has historically used this methodology. The fixed asset module within SAP tracks and calculates depreciation.

CNPI does not have any asset retirement obligations (AROs) or any associated depreciation or accretion expenses related to an asset retirement obligation.

CNPI confirms that it has applied the half-year rule for the purposes of computing the net book value of capital assets to be included in rate base for both 2021 Bridge Year and 2022 Test Year. Under the half-year rule, acquisitions and investments made during the year are amortized assuming they entered service at the mid-point of the year.

Table 4 - 19 below summarizes CNPI's depreciation expenses by year. Detailed depreciation and amortization expense information by OEB account, consistent with OEB Appendix 2-C, is provided in Table 4 - 20 through Table 4 - 25.

Table 4 - 19: Summary of Depreciation Expenses 2017-2022

Year		mIFRS
2017	Actual	4,529,681
2018	Actual	4,467,502
2019	Actual	4,669,110
2020	Actual	4,861,991
2021	Bridge	5,309,907
2022	Test	5,625,717

In preparing Appendix 2-C, CNPI noted that throughout the historical, Bridge and Test years, variances calculated by individual OEB account were generally less than the $100,000 materiality level. One exception was the 1830 Poles, Towers & Fixtures account. CNPI also generally noted that for the majority of the OEB accounts, actual depreciation was less than calculated for the years presented. The driving factor of these variances was likely due to the fact that when CNPI modified asset depreciable lives in 2013 to better align with the Kinectrics report, in most instances the lives were extended. By extending the remaining lives of assets that existed pre January 1, 2013, the annual depreciation expenses for those assets over the new adjusted useful lives of those assets would be less than prior to the change in useful lives, which is likely causing the majority of the variances.