City of Cold Lake

Tangible Capital Asset Accounting Policy

POLICY NUMBER: 124-AD-10

Approval Date: June 25, 2010	Revise Date: February 5, 2025
Motion Number: CM 20100622.1009	Repeal Date:
Supersedes: New	Review Date:

1.0 Policy Intent

The intent of this policy is to provide guidance for recognizing, recording, and reporting Tangible Capital Assets (TCA) on a consistent basis and in accordance with Public Sector Accounting Board (PSAB) 3150 and the recommendations of Alberta Municipal Affairs. This policy will also provide guidance on Asset Retirement Obligations (ARO) in accordance with PSAB 3280 and the recommendations of Alberta Municipal Affairs.

2.0 Purpose

The purpose of this Policy is to:

2.1 Provide information on basic TCA concepts, and how to account for the City of Cold Lake's TCAs.

2.2 Address the following:

2.2.1 Asset classification (major & minor);

2.2.2 Capitalization threshold for each asset classification;

2.2.3 Amortization method to be used;

2.2.4 ARO valuations and amortization periods.

2.3 Effective January 1, 2009, accounting for City of Cold Lake tangible capital assets must be in accordance with this policy. Opening balances are to be estimated by completing inventories, estimating original costs, and calculating net book values of assets acquired prior to January 1, 2009.

2.4 Effective for the fiscal year beginning on April 1, 2022, AROs must be in accordance with this policy. The City of Cold Lake will determine the present value of the retirement obligations and assess the ongoing re-evaluation and calculation of costs.

3.0 Policy Statement

TCAs should be capitalized (recorded in the fixed asset sub-ledger) according to the threshold schedule in Schedule "A". Capitalize betterments to existing assets when unit costs exceed the threshold. The TCAs of the City of Cold Lake will be amortized on a straight-line basis as per

the Amortization Schedule in Schedule "B". The scope of applicability of AROs will be assessed in accordance with Schedule "C" with the value being amortized on a straight-line basis based on the useful life of the asset.

4.0 Managerial Guidelines

4.1 Definitions

4.1.1 **Accumulated amortization** is the cumulative use of a recorded TCA.

4.1.2 **Amortization** is a non-cash charge to operations representing a portion of the useful life of a recorded TCA.

4.1.3 **Betterments** are costs incurred to enhance the service potential of a TCA. An enhancement in the service potential may include:

4.1.3.1 an increase in the previously assessed physical output or service capacity;

4.1.3.2 lower associated operating costs;

4.1.3.3 an increase to the useful life;

4.1.3.4 an improvement in the quality of the output.

4.1.4 **Capital Lease** is a lease with contractual terms that transfers substantially all of the benefits and risks of ownership in an asset to the City of Cold Lake.

4.1.5 **Capitalization** is recording a tangible capital asset on the City's balance sheet as a long-term asset.

4.1.6 **Leasehold improvements** are additions, alterations, or renovations performed on a leased property.

4.1.7 **Net Book Value (NBV)** is original cost of a TCA less accumulated amortization and asset write-downs.

4.1.8 **Residual value** is the estimated net realizable value of a tangible capital asset at the end of its useful life to a government.

4.1.9 **Straight-line method of amortization** assumes that the TCA's economic usefulness is the same each year. The amortization amount is determined by dividing the asset's original cost, less any residual values, by its estimated useful life in years.

4.1.10 **TCAs** are non-financial assets having physical substance that:

4.1.10.1 are used on a continuous basis by the City;

4.1.10.2 have useful economic lives extending beyond one year;

4.1.10.3 are held for use in the production or supply of goods and services, for rentals to others, for administrative purposes or for the development, construction, maintenance, or repair of other tangible capital assets;

4.1.10.4 are not for resale in the ordinary course of operations.

4.1.11 **Useful Life** is the asset's expected physical, technological, municipal, or legal life.

4.1.12 **Accretion Expense** is an increase in the liability of an asset because of time passing.

4.1.13 **Asset Retirement Obligations or ARO** are the legal obligations associated with the retirement of a TCA including obligations created by "Promissory Estoppel".

4.1.14 **Promissory Estoppel** is the legal principle that when a promise is made, even without formal consideration, it can be enforceable by law. It can only be enforced if a party relied on the promise in good faith to their own detriment.

4.1.15 **Retirement of TCAs** is the removal of a TCA from service permanently. This includes the sale, disposal of the asset, or some other manner that removes it completely from the service of the entity.

4.1.16 **Productive Use:** A TCA is typically ready for productive use when the acquisition, construction, or development is substantially completed, and the TCA can be used for operations. Determining readiness for productive use involves consideration of the circumstances in which it is to be operated.

4.1.17 **Write-down or Impairment** occurs when conditions indicate that a TCA no longer contributes to the City's ability to provide goods and services, or that the future economic benefits expected from the TCA is less than its NBV.

A condition that may indicate the need for write-down or impairment include:

4.1.17.1 a change in the extent or manner to which the asset is used;

4.1.17.2 significant technological developments;

4.1.17.3 physical damage or destruction;

4.1.17.4 removal of an asset from service;

4.1.17.5 a decline or cessation of the need for the services provided by the asset;

4.1.17.6 a decision to halt construction of the TCA before it is complete, usable or in a saleable condition;

4.1.17.7 a change in law or environment affecting the extent to the which a TCA can be used.

4.1.18 **Replacement** occurs where work to a componentized asset removes all or a portion of the asset and re-creates the removed portion of the asset. Replacement is only capitalized if the cost attributed to the specific asset exceeds the capitalization threshold outlined in Schedule "B".

4.2 Major Asset Types

Major Asset Types are a grouping of assets of a similar nature or function in the City's operations. The following list of categories shall be used:

4.2.1 Land;

4.2.2 Construction in Progress;

4.2.3 Historical/Cultural Assets;

4.2.4 Land Improvements;;

4.2.5 Buildings;

4.2.5.1 Leasehold Improvements;

4.2.5.2 Non-Permanent Buildings.

4.2.6 Engineering Structures including:

4.2.6.1 Water/Wastewater System;

4.2.6.2 Non-Permanent Buildings;

4.2.6.2.1 Roads;

4.2.6.2.2 Lights;

4.2.6.2.3 Signs.

4.2.7 Machinery & Equipment;

4.2.7.1 IT Infrastructure.

4.2.8 Vehicles;

These asset type categories may be further divided into Minor types or Subclasses.

4.3 Recording of Capital Assets

4.3.1 Capital Projects completed by the City will be capitalized one year following the issuance of Construction Completion Certificates.

4.3.2 At the time of capitalization, the City will determine the method of capitalization (single, component, or pooled).

4.3.2.1 Single assets – Long-term assets that are an assembly of connected parts will be capitalized, and amortized, as a single asset if the total cost exceeds the capitalization threshold for that major asset classification as set out in Schedule "A". Examples may include, but are not limited to, buildings, and vehicles.

4.3.2.2 Component assets – Long-term assets that will be individually capitalized, and amortized, if the cost exceeds the capitalization threshold for that major asset classification as set out in Schedule "A". Examples may include, but are not limited to, HVAC systems, and cooling towers.

4.3.2.3 Pooled assets – Long-term assets that are homogeneous in terms of their physical characteristics, usage, and useful lives and have an individual unit value below the capitalization threshold will be pooled, capitalized, and amortized, if the value of assets acquired in the fiscal year exceeds the capitalization threshold for that major asset classification as set out in Schedule "A". Examples include, but are not limited to, computer hardware, signs, and streetlights. For clarification, complex network systems are excluded.

4.3.3 Capitalization of Leases – Long-term assets that are leased, and have a value over the capitalization threshold for that major asset classification as set out in Schedule "A", will be capitalized if one or more of the following conditions are met.

4.3.3.1 There is reasonable assurance that ownership of the leased asset will be obtained by the City (for example at the end of the lease term or through a bargain purchase option set out in the terms of the lease);

4.3.3.2 If the City will receive substantially all of the economic benefits from the use of the leased asset by measure of economic life of the asset (substantially all being defined as 75% or more in this case);

4.3.3.3 If the City will be assured of earning a return on the investment and recovering the investment in the leased asset. This is measured by the present value of the minimum lease payments being substantially equal to the fair value of the leased property (substantially all being defined as 90% or more in this case). The calculation would be done using the values at the inception of the lease.

4.4 Recording of Replacement Costs

4.4.1 Determining whether expenditures to TCA shall be either (1) expensed as repairs and maintenance or (2) capitalized as a replacement cost shall be determined by referencing the process outlined in Schedule "D".

4.4.2 **Expenditures to Complex Network Systems:** It is recognized that the definition of a replacement is more difficult to apply to complex network systems (including roads and water systems) because identifying expenditures that would extend their lives may not be practicable. For clarity, expenses to complex network systems shall be treated as follows:

4.4.2.1 The capitalization threshold in Schedule "A" is for individual assets within a complex network system. For example, a $100,000 expenditure on a roadway system will only reach the capitalization threshold if $100,000 or more is spent on an individual asset within the roadway system;

4.4.2.2 Tie-Ins to Complex Network Systems: Where expenditure to one asset in a complex network system, necessitates expenditure to the adjacent asset(s) to "tie in" to the network system, the recording of the expenditures on the adjacent assets (tied into) shall be either (1) expensed as repairs and maintenance or (2) capitalized as a Betterment by referencing Schedule "D". Consideration will be the overall length of asset impacted by the "tie in". It is recognized that most often work

to the "tied in" assets would be recorded as repairs and maintenance. Only in rare or exceptional situations would expenditures for "tie in" meet the test to be capitalized as a Betterment as the purpose of the "tie in" is not to enhance the service potential of the adjacent assets;

4.4.2.3 Repairs and Maintenance to Complex Network Systems: Once it has been determined that an expenditure to an asset within a complex network system is "repairs and maintenance" pursuant to Schedule "D" the cost will be expensed in the current year;

4.4.2.3.1 Routine road maintenance activities that fall within repair and maintenance include but not limited to the following examples: crack sealing, pothole repair, micro-surfacing, and thin overlays;

4.4.2.3.2 Routine water system maintenance activities that fall within repair and maintenance include but not limited to the following examples: Hydrant Replacements, Valve Replacements, Lateral Service Replacements, Watermain Break Replace, Meter, Pressure, and Valve Vault Replacement(s);

4.4.2.3.3 Routine wastewater system maintenance activities that fall within repair and maintenance include but not limited the following examples: Valve Replacements, Lateral Service Replacements, Sewer Break Replacement, Busted Pipe Replacement, Vault Replacement(s);

4.4.2.3.4 Routine Storm system maintenance activities that fall within repair and maintenance include but not limited to the following examples: Manhole Replacements, Busted Pipe Replacement, Vault Replacements, vaults, service lateral Replacements;

4.4.2.3.5 Routine facility maintenance activities that fall within repair and maintenance include but not limited to the following examples: Heat and Ventilation Systems repairs and replacements, plumbing repairs and replacements, roofing repairs and placements, painting and finishes repair and replacement.

4.4.2.4 Replacement to Complex Network Systems: Once it has been determined that an expenditure to an asset within a complex network system is a "replacement" pursuant to Schedule "D", the expense will be capitalized as follows:

4.4.2.4.1 Replacement to "a portion of" an asset within a complex network system (for example replacement of half of a road):

4.4.2.4.1.1 Recording for the replaced asset: The portion of the asset replaced is recorded as a new Asset and amortized in accordance with section 4.11

of this Policy. For example, the new half of the road is now recorded as its own new asset with a useful life determined in accordance with Schedule "B";

4.4.2.4.1.2 Recording for the Original Asset: A disposal is recorded in accordance with section 4.9.1 of this Policy for "the portion of" the asset improved (for example 50% of the road is disposed of). The useful life is not changed for the remaining section of the original asset.

4.4.2.4.2 Replacement to an entire asset within a complex network system (for example replacement of one road):

4.4.2.4.2.1 A disposal of the original asset is recorded in accordance with section 4.9.1 of this Policy. The new asset is capitalized and amortized in accordance with section 4.11 of this Policy.

4.5 Recording of Betterments

4.5.1 Determining whether expenditures to TCA shall be capitalized as a Betterment shall be determined by referencing the process outlined in Schedule "D".

4.5.2 A Betterment is a cost incurred to increase service potential of a TCA in accordance with the definitions in section 4.1.3.

4.5.3 Betterment to Complex Network Systems: Once it has been determined that an expenditure to an asset within a complex network system is a "betterment" pursuant to Schedule "D", the cost will be capitalized as follows:

4.5.3.1 The cost of a betterment to an existing asset will be capitalized (the betterment cost will be added to the cost of the original asset) and amortized over the remaining life of the original asset. For example, if improvements were conducted to a heating system to improve efficiency, the cost of the improvements will be capitalized to the original heating system and amortized over the remaining useful life of the original system.

4.5.3.2 Betterment cost thresholds are identical to and will follow TCA capitalization thresholds as applicable in this policy section 4.8.

4.5.4 An example of a Betterment is road widening or adding an additional number of lanes to expand the capacity of the road systems.

4.6 Major Asset Types

4.6.1 The cost of a tangible capital asset (Public Sector Accounting Board PSAB 3150.05b) is the gross amount of consideration directly attributable to the acquisition, construction, development, or betterment of a tangible capital asset.

4.7 Donated or Contributed Assets

4.7.1 Governments may receive contributions of TCA's. The cost of a contributed TCA is considered equal to its fair value at the date of contribution. For subdivision developments, the date of contribution is to be when the City issues the Construction Completion Certificates. Prior to this date, the asset is assumed to be in progress by the developer with no useful life consumed. Fair value of a contributed TCA may be estimated using engineering replacement cost estimates, assessment values, or appraisal values. In unusual circumstances, where an estimate of fair value cannot be made, the TCA would be recognized at a nominal value.

4.8 Capitalization Thresholds

4.8.1 Capitalization thresholds have been established for each major asset class, which will determine whether expenditures should be capitalized or expensed in the current year. Expenditures that meet both the criteria of a TCA and exceed the thresholds outlined in Schedule "A" of this policy, are to be recorded as a TCA and will be financially reported as such.

4.8.2 There is no capitalization threshold for Land. All land, excluding land held for resale, will be capitalized because of its' permanent nature. Land held for resale is classified to held for resale when deemed appropriate.

4.9 Disposals

4.9.1 Disposals of TCA's in the accounting period may occur by sale, trade-in, destruction, loss or abandonment. Such disposals represent a reduction in the City's investment in TCA's, regardless of how that investment is reported. When TCA's are disposed of, employees must notify the Finance Department of the asset description and effective date. The Finance Department is responsible for adjusting the asset registers and accounting records. The difference between the net proceeds on disposal of a TCA and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations in accordance with PSAB Section 3150.

4.10 Cultural and Historical Assets

4.10.1 Works of art, historical treasures, and cultural assets will not be recognized as TCA's in the financial statements because a reasonable estimate of future benefits associated with such property cannot be made. However, the existence of such property will be disclosed in the audited financial statements.

4.11 Amortization Method

4.11.1 The cost of a TCA less any residual value should be amortized over its useful life in a rational and systematic manner. Schedule "B" shows the maximum expected life for all major TCA's.

4.11.2 For all TCA's, except land, art, cultural and historic assets, the City will use straight- line amortization, which assumes that the asset's economic usefulness is the same each year.

4.11.3 Annual amortization expense will be expensed in the first full year after an asset is acquired or put into service.

4.11.4 Capital projects not completed at fiscal year-end will be recorded as work in progress until completed and will not be amortized until they have been put in service.

4.11.5 Residual value will only be included in calculating amortization if residual value exceeds $10,000.

4.11.6 Pooled assets – Long-term assets that are in accordance with section 4.3.2.3. Pooled assets are amortized using a composite amortization rate based on the average useful life of the different assets in the group. For clarification, complex network systems are excluded.

4.11.7 Assets which have been capitalized under a capital lease will adhere to the useful life in Schedule "B" under the asset type and subclass determined for the asset in question.

4.11.8 Any changes to the amortization period of a category of assets is not retro-actively applied.

4.12 Impairment and write-down

4.12.1 When TCA impairment is determined in line with section 4.1, a net adjustment to the TCA must be recorded.

4.12.1.1 A write-down is an adjustment to the cost of the asset. A corresponding adjustment is made to the accumulated depreciation;

4.12.1.2 The net adjustment between the cost and accumulated depreciation written-off must be recognized as an expense in the statement of operations.

4.12.2 Write-down and impairment expenses cannot be reversed.

4.13 TCA Review

4.13.1 The existence of recorded assets in the TCA register will be verified annually on a test basis by the Finance Manager. The TCA register forms an integral part of the City's financial system and must capture additions, deletions, and amortization or write-down of assets in a timely manner.

4.13.2 The amortization method, rates and useful life will be reviewed and revised on an annual basis by the City.

4.13.3 The City will assess whether conditions exist that would indicate impairment or write-down of TCA on an annual basis.

4.13.4 If a capital asset's value becomes less than its net book value and is expected to remain as such for the remainder of its useful life, a write-down assessment will occur annually and an impairment will be recorded in the period in which the impairment is determined.

4.14 Asset Retirement Obligations

Recognition

4.14.1 The City will recognize the cost and account for the liability of retiring/disposal of a TCA as required by PS 3280. For the liability of an asset retirement to be recognized it must meet the following at the financial reporting date:

4.14.1.1 There must be a legal obligation to incur retirement cost of the TCA;

4.14.1.2 A past event or transaction to the legal obligation, a transaction or new law passed;

4.14.1.3 The TCA must have future economic benefits that are given up;

4.14.1.4 A reasonable estimate of the cost to be incurred by the legal obligation. Uncertainty does not remove the obligation.

4.14.2 Contaminated sites do not have to be recognized as a liability under PS3280 because it is an unexpected event that exceeds environmental standards. Contaminated sites are not recognized and measured as asset retirement obligation.

Measurement

4.14.3 To best estimate the asset retirement cost, all costs directly attributed to retiring the TCA must be included. Estimates are to be based on requirements in existing agreements, contracts, legislation or legally enforceable obligations, and technology expected to be used.

4.14.4 ARO recognition will follow TCA capitalization thresholds as applicable in this policy.

4.14.5 After the initial measurement, for ARO using the present value technique, the passage of time will result in an accretion expense which will be recorded as an increase in the liability.

4.14.5.1 If in subsequent measurements there is a change in the estimated asset retirement cost, the asset costs and related ARO liability will be updated accordingly.

4.14.5.2 Any new obligation will be assessed to determine the cost and related liability in accordance with PS 3280.

4.14.6 Asset retirement obligations will be assessed annually for changes in value.

4.14.7 Once a TCA with a related ARO is no longer in productive use, all subsequent changes in the estimate for the ARO liability will be recognized as an expense in the period incurred.

4.14.8 Recoveries of an ARO may result when the City is able to recover ARO costs from a third party.

4.14.8.1 The recovery, if recognized, is a separate asset and can not be offset against the ARO liability.

4.14.8.2 A recovery related to an ARO should be recognized when:

4.14.8.2.1 the recovery can be appropriately measured;

4.14.8.2.2 a reasonable estimate of the amount can be made; and

4.14.8.2.3 it is expected that future economic benefits will be obtained.

Legal Obligations

4.14.9 A legal obligation establishes a clear duty or responsibility to another party that justifies recognition of a liability. A legal obligation can result from:

4.14.9.1 Agreements or contracts the City has entered into;

4.14.9.2 Legislation of the Provincial or Federal Government or from authority that has been delegated to an agency on their behalf;

4.14.9.3 The City's own legislation through bylaws and policies; or

4.14.9.4 A promise conveyed to a third party that imposes a reasonable expectation of performance upon the promisor under the doctrine of promissory estoppel.

5.0 References

- Public Sector Accounting Board (PSAB) Handbook Section 3150;
- Alberta Municipal Affairs TCA Implementation Toolkit, Recommendations & Requirements;
- Public Sector Accounting Board (PSAB) Section 3280;
- BDO Canada LLP Article, Assurance and Accounting Asset Retirement Obligation (ARO): A Practical Approach to Section 3280 (published July 2020).
- Saskatchewan Ministry of Finance, Provincial Comptroller's Office, Accounting Manual (1300 Tangible Capital Assets, Betterment Decision Tree 2023-03-20);
- Guide to accounting for and reporting tangible capital assets: Guidance for Local Governments and Local Government Entities that Apply the Public Sector Handbook April 2007.

6.0 Persons Affected

Council, All Departments

7.0 Revision/Review History

- December 9, 2014
- October 10, 2023 – Additional Sections 2.2.4, 2.4, 4.1.12, 4.1.13, 4.1.14, 4.1.15, 4.1.16, 4.12, 4.12.1, 4.12.1.1, 4.12.1.2, 4.12.1.3, 4.12.1.4, 4.12.2, 4.12.3, 4.12.3.1, 4.12.3.2, 4.12.3.3, 4.12.3.4, 5.3, and 5.4; Amendments to Schedule "A" & Schedule "B"; Additional Schedule "C".
- November 14, 2023 – Additional Sections 4.4.2, 4.4.3, 4.10.7, and 4.10.8.
- January 22, 2024 – Administration Correction – Schedule "B".
- December 10, 2024 – Motion No. CRM20241210.1031 Amendments to Sections 4.2.1-4.28, 4.3.2-4.3.3.3, 4.5.1-4.5.4, 4.8.2, 4.11.6-4.11.7, 4.14.2, 5.0, Schedule "A", and Schedule "B". Additional Sections 4.1.17, 4.1.17.1-4.1.17.7, 4.1.18, 4.4-4.4.2.4.2.1, 4.12-4.12.2, 4.13.2-4.13.4, 4.14.4-4.14.8.2, and Schedule "D".
- February 5, 2025 – Administration Correction – Schedule "B".

Feb. 5, 2025
Date

Chief Administrative Officer

February 5, 2025
Date

Mayor

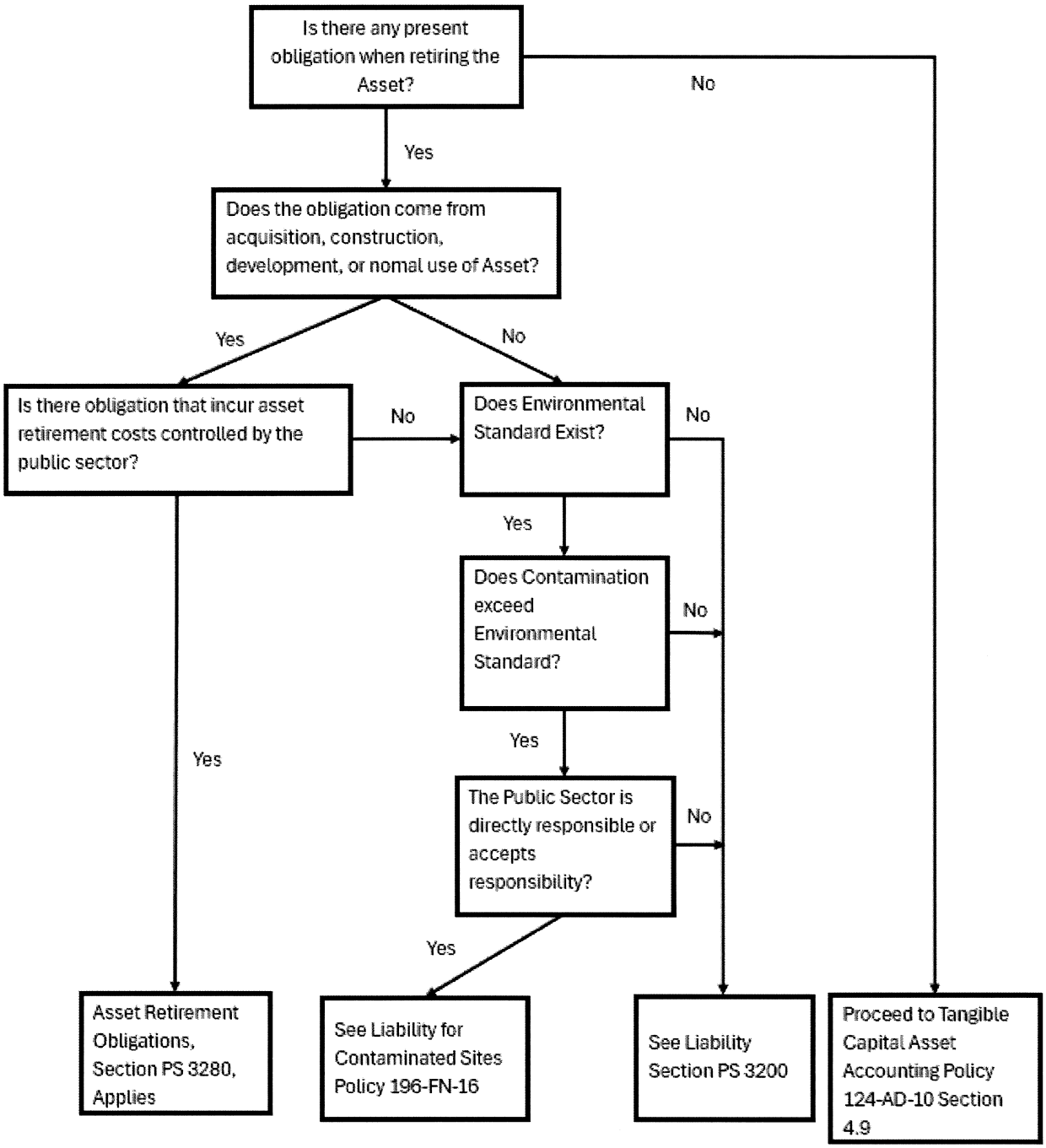
SCHEDULE "A" – Threshold Schedule

ASSET TYPE	SUBCLASS	THRESHOLD
Land		Capitalize only
Construction in Progress		Capitalize only
Historical/Cultural Assets		Disclosure only
Land Improvements		10,000.00
	Parking lots, playfields, ponds, retaining walls	
	Playfields, skatepark, tennis courts, outdoor arena	
	Pathways, fences, outdoor lighting, and landscaping	
	Playground structures	
Buildings		100,000.00
Leasehold Improvements		100,000.00
Non-Permanent Buildings		10,000.00
	Temporary Shelters	
	Transit Station	
Water/Wastewater System		100,000.00
	Sanitary Forcemain	
	Sewerline (Storm)	
	Sewerline (Waste Water)	
	Waterline	
	Reservoir (Includes Transfer Station)	
	Lifts Station	
Roadway System		100,000.00
Roads		100,000.00
	Surface	
	Gravel	
	Lanes	
	Sidewalk	
	Curb Gutter	
	Bridges	
Lights		10,000.00
	Decorative	
	Street (Marina)	
	Traffic	
	Crosswalk	
Signs	All	Cumulative over 10,000
Machinery & Equipment		10,000.00
	General Equipment, furniture and fixtures	
	Heavy Construction Equipment	
IT Infrastructure		
	Hardware and software	5,000.00
	Telephone systems	
Vehicles		10,000.00
	Cars, Light Trucks, and Heavy Duty	
	Fire Trucks	

SCHEDULE "B" – Maximum Useful Life of Assets

ASSET TYPE	SUBCLASS	USEFUL LIFE
Land		Capitalize only
Construction in Progress		Capitalize only
Historical/Cultural Assets		Disclosure only
Land Improvements		
	Parking lots, playfields, ponds, retaining walls	20 years
	Playfields, skatepark, tennis courts, outdoor arena	20 years
	Pathways, fences, outdoor lighting, and landscaping	20 years
	Playground structures	15 years
Buildings		40 years
Leasehold Improvements		Over term of the lease
Non-Permanent Buildings		
	Temporary Shelters	10 years
	Transit Station	25 years
Wastewater System		
	Sanitary Forcemain	50 years
	Sewerline (Storm)	50 years
	Sewerline (Waste Water)	50 years
	Waterline	50 years
	Reservoir (Includes Transfer Station)	40 years
	Lifts Station	40 years
Roadway System		
Roads		
	Surface	25 years
	Airport Runway, Taxiway, Apron	25 Years
	Gravel	10 years
	Lanes	20 years
	Sidewalk	30 years
	Curb Gutter	30 years
	Bridges	40 years
Lights		
	Decorative	30 years
	Street (Marina)	30 years
	Traffic	30 years
	Crosswalk	30 years
Signs	All	30 years
Machinery & Equipment		
	General Equipment, furniture and fixtures	10 years
	Heavy Construction Equipment	10 years
IT Infrastructure		
	Hardware and software	5 years
	Telephone systems	10 years
	Fibre optic cable	30 years
Vehicles		
	Cars, Light Trucks, and Heavy Duty	10 years
	Fire Trucks	25 years

SCHEDULE "C" – DECISION TREE – SCOPE OF APPLICABILITY



SCHEDULE "D" – BETTERMENT, REPLACEMENT OR REPAIRS AND MAINTENANCE DECISION TREE