

Q. Re: p. 33, lines 15-24

Mr. Browne lays out two issues that the Board should consider in deciding whether to approve switching to the accrual method.

- (a) Does Mr. Browne consider that intergenerational equity is a third issue that the Board should consider in its decision? Please explain why or why not.**
 - (b) Is there not an inconsistency between accepting the write-off of the transitional obligation (and not seeking to recover it) but at the same time remaining on the cash method for ratemaking purposes? Please explain why or why not.**
 - (c) Is it Mr. Browne's position that, in principle, Hydro should switch to the accrual method, but not for the 2002 test year? Please explain. If the answer is yes, please provide the criteria the Board should rely on to determine when it is an appropriate time to switch methodologies.**
- A.
- (a) Yes. As set out on pages 32 and 33 of his pre-filed testimony, Mr. Browne believes that if there were no transitional obligation, that the accrual method would be preferable because it is consistent with intergenerational equity. Where there are no other relevant impacts, Mr. Browne believes that it is generally established regulatory practice to have the customers of a period pay for the costs of providing them with service in that period and that customers of another period should not bear those costs.
 - (b) The transitional obligation rises from the transition to the accrual method. If a company stays with the cash method, there would not be a transitional obligation to write off. However, this would not prevent Hydro from committing not to seek recovery of the associated cost.
 - (c) Mr. Browne believes that the decision whether or not to allow Hydro to switch to the accrual method for regulatory purposes should be made by Board. The criteria that the Board should use in making this decision were set out in his pre-filed testimony on pages 32 and 33.