

1    Q.    2013 Amended General Rate Application, November 10, 2014, page 3.48, lines 5-6  
2           and page 3.50, lines 1-3: Explain why and how Hydro selected the threshold of +/-  
3           \$500,000 for both proposed deferral accounts.

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6    A.    In its report dated April 13, 1992, the Board recommended that the accounting  
7           treatment policy for extraordinary repairs set out in pages 17- 18 of a Peat Marwick  
8           Report be adopted with a \$500,000 threshold. The policy holds that where the  
9           expenses for repairs that are (i) not capital in nature, (ii) unexpected or unplanned,  
10          and (iii) would cause rate shock or a shock to Hydro's earnings were they to be  
11          recognized in one year, may be deferred over an extended period of time.

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13          Hydro selected the \$500,000 threshold for both proposed deferral accounts for this  
14          same reason. That is, the cost variations in excess of \$500,000 would represent a  
15          material shock to Hydro's earnings.