

**IN THE MATTER OF**

the *Electrical Power Control Act*, SNL 1994,  
Chapter E-5.1 (the "*EPCA*") and the  
*Public Utilities Act*, RSNL 1990,  
Chapter P-47 (the "*Act*"), as amended;

**AND**

**IN THE MATTER OF**

an Application by Newfoundland and Labrador Hydro for the approval  
of changes in depreciation methodology and assets service lives,  
pursuant to s. 68 of the *Act*.

---

**PUBLIC UTILITIES BOARD  
REQUESTS FOR INFORMATION**

**PUB-IC-1 to PUB-IC-9**

**Issued: October 12, 2012**

---

**DIRECT TESTIMONY OF PATRICIA LEE**

**PUB-IC-1** On pg. 6 Ms. Lee states that Hydro's 2009 Depreciation Study is devoid of any support or justification for proposed life/curve combinations. What additional information should have, in Ms. Lee's opinion, been provided?

**PUB-IC-2** On pg. 9 Ms. Lee states that Hydro should be asked to review its records and provide options regarding the correction of what Ms. Lee states is an understatement of the depreciation reserve. Please explain in detail the options that Ms. Lee considers to be available to analyze and correct Hydro's depreciation reserve.

**PUB-IC-3** On pgs. 11-12 Ms. Lee states that Hydro, by restating the original cost of its assets to net book value in January 1, 2011 as part of implementing IFRS, and moving to the remaining life technique, understates the depreciation rate and resulting depreciation expense. She recommends that Hydro be required to recalculate the reserve using a recalculated depreciation rate. Describe in detail the analysis and level of effort that would be required to implement this recommendation.

**PUB-IC-4** Further to PUB-IC-3, how does Ms. Lee propose that the increase in depreciation expense that would result from such recalculation be recovered from customers?

**PUB-IC-5** Further to PUB-IC-3, in Ms. Lee's opinion, would the increase in depreciation expense resulting from the recommended calculation be material?

**PUB-IC-6** On pg. 19 Ms. Lee states that she does not agree with Hydro that it is required under generally accepted accounting principles to cease depreciation when the asset is fully recovered. Is it Ms. Lee's opinion that carrying on with depreciation after the asset is fully recovered is compliant with IFRS?

**PUB-IC-7** On pg. 20 Ms. Lee states that Hydro's proposal to use a group depreciation concept in the determination of life characteristics and apply that average life to each asset within the group is fundamentally incorrect. However, she also appears to agree that Hydro's proposal will result in a similar level of depreciation expense as would result if the remaining life is applied to the total plant in the group or account. Is this a correct statement of Ms. Lee's position? If it is, confirm there is no material difference in depreciation expense with either of the two approaches. If not, explain why not.

**PUB-IC-8** Does s. 17(1) of the *Hydro Corporation Act*, s. 68 of the *Public Utilities Act* and Order No. P.U. 7(2002-2003) justify Hydro's current depreciation practices, including its calculations of interest as a factor in depreciation? If not, why not?

1 **DIRECT TESTIMONY JACOB POUS**

2

3 **PUB-IC-9**

4

5

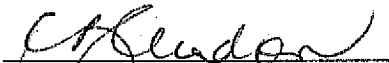
6

On pg. 17 of his Direct Testimony, Mr. Pous, the expert for the Consumer Advocate, states that a compounded monthly interest rate rather than a simple interest rate is appropriate to use. Does Ms. Lee agree? Provide a detailed explanation in the response.

**DATED** at St. John's, Newfoundland this 12<sup>th</sup> day of October, 2012.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

Per



Cheryl Blundon  
Board Secretary