

1 Q. Please refer to Hydro's response to CA-NLH-152, Attachment 1. Please explain how
2 the depreciation percentage column was calculated. Please show all formulae,
3 calculations, and assumptions used in deriving the rates shown in the depreciation
4 percentage column, including the assumed interest rate. Please identify the source
5 of each assumption.

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8 A. Please refer to CA-NLH-251 for an explanation of how the depreciation percentage
9 was calculated. For assets depreciated using the sinking fund method of
10 depreciation, Hydro used a monthly interest rate averaged over the duration of the
11 capital project in order to determine the applicable interest rate. However, late in
12 2002, Hydro switched to the weighted average cost of capital (WACC). The switch
13 was made at this time as it was the first General Rate Application subsequent to the
14 1996 legislative change which resulted in Hydro being regulated on a rate of return
15 basis.

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17 Refer also to the response to CA-NLH-252.