

1 **Reference: In its “Newfoundland and Labrador Hydro 2009 Annual Review” (attached), the**
2 **Board’s financial consultant, Grant Thornton, LLP, reviewed both the sinking fund and**
3 **straight line methods of depreciation. Their report at page 42 states “In completing our**
4 **procedures, we recalculated depreciation for both methods on a test basis and compared**
5 **the estimated service lives used in the calculations to the 1998 Depreciation Study. We also**
6 **reviewed the interest rates used in calculating sinking fund depreciation for**
7 **reasonableness.” No significant discrepancies were noted in the interest rates used and**
8 **Grant Thornton, LLP states that “depreciation expense for 2009 does not appear**
9 **unreasonable.”**

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11 **In light of the fact that the Board has approved Hydro’s depreciation policy in Order No. P.U.**
12 **7(2002–2003) and the Board’s auditors have verified the calculations please respond to the**
13 **following requests concerning Mr. Pous’ evidence:**

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15 **Q. Page 15, lines 10 to 12; “When debt was retired, rolled over, or revolved, Hydro**
16 **should have revised its sinking fund calculation in order to maintain the underlying**
17 **principle for sinking fund depreciation.” Have any orders subsequent to P.U.**
18 **17(2002-2003) varied Hydro’s approved depreciation methodology to revise its**
19 **sinking fund calculation in the manner to which Mr. Pous refers?**

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21 **A. Mr. Pous assumed the reference is to P.U. 7(2002-2003), rather than the reference P.U.**
22 **17(2002-2003). Based on this assumption, Mr. Pous is not aware of any subsequent orders**
23 **in a fully litigated rate proceeding addressing the issue of depreciation as it applies to**
24 **Hydro.**