

1 **Reference:** Expert evident of Patricia S. Lee, page 4, states: “I will provide examples
2 where the Company has understated its reserve and overstated its
3 proposed depreciation rates and resulting estimated expenses.”

4 **NLH-IC-10** Does Ms. Lee accept that Hydro has calculated its depreciation in a manner
5 approved by the Board? If not, please provide all documented justification
6 that supports the response.

7 **RESPONSE:** The response to this question calls for a legal opinion. Ms. Lee is not an
8 attorney. That said, Ms. Lee has reviewed Order No. P.U. 7(2002-2003) and the
9 Grant Thornton “Newfoundland and Labrador Hydro 2009 Annual Review.” It
10 appears that these documents refer to depreciation concepts at a very high level:
11 “policies” rather than mechanics, calculations, or accounting practices of
12 depreciation expense and reserve. To Ms. Lee’s knowledge, the specific
13 calculations and underlying assumptions to the sinking fund depreciation and
14 Hydro’s practice of ceasing depreciation on an asset when it is fully depreciated
15 even though it remains in service have not been addressed previously by the
16 Board. Ms. Lee notes that Hydro confirms in response to RFI IC-NLH-73 that the
17 Board has not specifically addressed the concept of ceasing depreciation to any
18 asset that is fully depreciated even though the related plant continues providing
19 service to the public.