Reference: **On page 11, Ms. Lee indicates that Hydro has understated its' depreciation expense due to restating original cost to net book value and moving from sinking fund depreciation to a remaining life technique.**

NLH-IC-18 **Would Ms. Lee agree that if Hydro depreciated its' assets based on the remaining life in years (months) rather than using depreciation rates that there would be no change in depreciation expense. For example, the original cost of 100,000 and a reserve of $20,000 depreciated over a remaining life of 50 years would give the same depreciation expense as 80,000 depreciated over a remaining life of 50 years.**

RESPONSE: By Hydro's accounting approach of ceasing depreciation expense once an asset is fully depreciated, the expenses resulting from depreciation based on the remaining life in years (months) rather than using depreciation rates would be different as long as there are assets within the account that are fully recovered. This is evident from response to RFI CA-NLH-240. It is the opinion of Ms. Lee that the purpose of this proceeding is to establish the appropriate depreciation rates for Hydro, a component of which yes is life. Hydro claims that restating original cost to net book value and moving from sinking fund depreciation to a remaining life technique results in essentially the same expenses. This is simply not true under Hydro's accounting approach.