

NP CA 04

1 **Q. Page 18, lines 1 to 8.**

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3 **If the Board specifically considered Hydro's estimates of depreciation expense,**

4 **including the reasonableness of the interest rates used in calculating sinking fund**

5 **depreciation prior to approving the estimates, does this provide some validity for**

6 **the current situation? If not, why not?**

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8 **A.** No. First, the calculation of sinking fund depreciation as presented by Hydro is in error by

9 not including the interest in the accumulated provision. Further, to the extent interest rates

10 changed, Hydro is in error by either not booking the changed depreciation accounting value

11 or by failing to seek correction of the actual depreciation rate last approved by the Board in

12 its subsequent depreciation studies.