

1 Q. Page 19, lines 14 to 16.

2
3 Please provide all examples within Mr. Pous' knowledge or experience where a
4 regulator has decided to restate a utilities depreciation reserve. Please include
5 copies of all regulatory orders referred to in the response.
6

7 A. First, Hydro has restated reserves when the Board approved its use of IFRS. In addition, Mr.
8 Pous recalls instances during either the 1970s or 1980s in which regulators relied upon
9 whole life depreciation rates and in effect wrote off (restated) the reserve imbalance that
10 may have existed. Mr. Pous does not believe he has the specific orders referenced in his
11 possession as they most likely are 30-35 years in the past. However, the above noted
12 situation is not similar to the situation before the Board in this proceeding. The situation
13 presented by Hydro is unique. Indeed, Mr. Pous is not aware of any other utility that has
14 employed a sinking fund methodology for an extended number of decades. Moreover, any
15 utility that may have utilized sinking fund depreciation in the past most likely calculated the
16 sinking fund depreciation correctly and therefore would not require a correction of historic
17 reserves. Mr. Pous also believes that any utility that utilized sinking fund depreciation would
18 have modified the interest rate reflected in the sinking fund method once the interest rate
19 actually changed, a practice not followed by Hydro.