

1 **Q. On pg. 19, lines 20-24 Mr. Pous states that the analysis required to restate the**
2 **appropriate level of the reserve would require “...massive levels of human resources**
3 **and data, and numerous assumptions.”. Please fully explain the type of analysis that**
4 **would be required and provide an estimate of time involved to complete such**
5 **analysis.**

6
7 **A.** Hydro has tied specific interest rates associated with potentially different financing
8 packages to its sinking fund depreciation calculation. For each such situation where Hydro:
9 (1) either changed the underlying debt associated with the initial interest calculation, or (2)
10 changed to rate of return regulation, such actions would require redetermination of sinking
11 fund monthly amounts as of those dates where the events caused a change in the interest
12 rate. Therefore, Hydro would have to identify each asset at issue, the original interest rate,
13 when any component of the underlying original interest rate was modified (most likely more
14 than once during the life of the asset), recalculate the appropriate depreciation expense on
15 a monthly basis, employing an appropriate compounding interest rate and corresponding
16 interest calculation in the reserve. Without knowing the number of individual assets at issue
17 and the number of changes in interest rates, no specific estimate of hours is possible.
18 However, it is assumed that it would easily take hundreds of person-hours for Hydro to
19 perform the activities.