

1 **PUB-IC-8 Does s. 17(1) of the Hydro Corporation Act, s. 68 of the Public Utilities Act**
2 **and Order No. P.U. 7(2002-2003) justify Hydro's current depreciation**
3 **practices, including its calculations of interest as a factor in depreciation?**
4 **If no, why not?**

5 **RESPONSE:** The above question calls for a legal interpretation. Ms. Lee is not an attorney
6 and is not being proffered as such. This said, Ms. Lee has reviewed s. 17(1) of
7 the Hydro Corporation Act, s. 68 of the Public Utilities Act, and Order No. P.U.
8 7(2002-2003), and provides her lay opinion herein. It appears that these
9 documents refer to depreciation concepts at a very high level: "policies" rather
10 than mechanics, calculations, or accounting practices of depreciation expense
11 and reserve. To Ms. Lee's knowledge, the specific calculations and underlying
12 assumptions to the sinking fund depreciation and Hydro's practice of ceasing
13 depreciation on an asset when it is fully depreciated even though it remains in
14 service have not been addressed previously by the Board. Ms. Lee notes that
15 Hydro confirms in response to RFI IC-NLH-73 that the Board has not specifically
16 addressed the concept of ceasing depreciation to any asset that is fully
17 depreciated even though the related plant continues providing service to the
18 public.