

1 Q. Please provide a detailed description of the benefits to ratepayers of adoption of
2 the new depreciation methods proposed by the present Application as compared to
3 retention of the existing approach for rate setting purposes. To the extent the
4 benefits relate to future reductions in costs, please provide a projection of cost
5 savings by year, taking into account ongoing capital investment requirements.
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8 A. The primary benefit to ratepayers of adoption of the new depreciation
9 methodology is that it will result in an even recovery of costs associated with capital
10 investment in the utility. Under the existing sinking fund method, a decelerated
11 method of depreciation, customers taking electricity supply in the early years of the
12 asset's life are undercharged for the asset's service value while customers taking
13 electricity supply in the later years of the asset's life are overcharged for the asset's
14 service value.
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16 Use of the straight line method does not result in any reduction in overall cost since
17 all depreciation methods, in total and over time, will allocate the service value to
18 customers. Hydro recommends the use of a straight line method as it will match
19 the consumption of assets of the Company to the recovery of the investment from
20 customers.