

1 **Q. If the impact of using an initial interest rate over the life of an asset results in an**
2 **under-collection of the depreciation expense and an over-collection of the return on**
3 **rate base, is it possible to estimate, at this point, whether the net impact would have**
4 **caused rates to customers over this period to be less than they would otherwise**
5 **have been?**

6
7 **A.** Please see the response to PUB-CA-8. In addition, it must be noted that Hydro did not
8 under collect depreciation expense as long as it was charging the base rates incorporated
9 in the last set of revenue requirements in a rate case. It is the booking of the correct
10 depreciation amount to the reserve that is at issue. While the base rates charged to
11 customers in the past are not subject to modification, it is the future rates that will be
12 charged to customers that is at issue. To the extent corrective action reduces rate base, the
13 level of return and taxes will also be reduced in the future. In addition, to the extent the
14 accumulated provision for depreciation is increased, then future depreciation expense will
15 also be reduced under the remaining life calculation technique, which attempts to recover
16 the remaining undepreciated investment over time.