a net reduction in the Revenue Requirement over the Test Period. Table 8-3 below provides a summary with the references to the appropriate sections of the changes:

Table 8-3 Depreciation Study Impact

$/millions Increase/(Decrease)	Section	F2022	F2023	F2024	F2025	F2023-F2025 Total
Useful lives (Depreciation Rates) and Positive Salvage Percentages	**8.3.1.2**	26.4	(5.8)	(3.9)	(4.9)	(14.6)
Accelerated Depreciation of Assets Pending Retirement (Life Span Dates)	**8.3.1.5**	9.7	4.0	3.2	1.4	8.5
Sub-Total Depreciation Expense Impact		**36.1**	**(1.8)**	**(0.7)**	**(3.5)**	**(6.0)**
Asset Retirements Expense Impact	**8.3.1.6**	(6.6)	(7.3)	(8.8)	(7.8)	(23.8)
Sub-Total Depreciation Expense and Asset Retirements Impact		**29.5**	**(9.1)**	**(9.5)**	**(11.3)**	**(29.9)**
Miscellaneous Revenue (Amortization of CIAC)	**8.3.1.7**	(0.9)	(0.3)	(0.3)	(0.3)	(0.8)
Net Impact from the Depreciation Study Before Regulatory Transfer		**28.6**	**(9.4)**	**(9.7)**	**(11.6)**	**(30.7)**
Regulatory Transfer (excl. interest)		**(28.6)**	**9.5**	**9.5**	**9.5**	**28.6**
Net Impact After Regulatory Transfer		**-**	**0.1**	**(0.2)**	**(2.1)**	**(2.1)**

8.3.1.1 BC Hydro's Straight-Line, Average Service Life Method of Calculating Depreciation is Appropriate and Widely Accepted

BC Hydro uses the straight-line, average service life method for calculating depreciation expense, which complies with IFRS. The key feature of this method is that depreciation expense is recognized evenly over the expected useful life of an asset.

As part of the Deprecation Study, BC Hydro asked Concentric to assess whether the use of the straight-line, average service life method was appropriate. Concentric provided the following opinion at page 3-1 of the Depreciation Study:

> Depreciation, as used in accounting, is a method of distributing fixed capital costs, less net salvage, over a time period by allocating annual amounts to expense. Each annual amount of such depreciation expense is part of that year's total cost of providing electric utility service. Normally, the time over which the fixed capital cost is allocated to the cost of service, is equal to the time over which an item renders service – that is, the item's service life. The most prevalent method of allocation is to distribute an equal amount of cost to each year of service life. This method is known as the Straight-Line method of depreciation.
>
> BC Hydro continues to determine depreciation using the Straight-Line method for all plant comprising regulated assets, based on the Average Life Group Procedure – Remaining Life Technique. The Average Life Group Procedure is the most commonly used depreciation procedure for North American utilities, whereby one average service life estimate is applied to all assets and vintages within the asset class. The Remaining Life Technique calculates depreciation on the basis of recovering the net book value of the investment over the remaining life of an asset, or group of assets, with no provision for separate accumulated depreciation true-up. As such, a common life and salvage estimate is applied to each of the assets. Concentric finds the application of the Straight-Line method and the Average Life Group Procedure – Remaining Life Technique results in a reasonable recovery of BC Hydro's capital investment over time and recommends their continued application.

Consistent with the above recommendations, BC Hydro will continue to use its straight-line, average service life methodology for calculating depreciation expense.

8.3.1.2 BC Hydro is Updating the Useful Lives of its Assets as Recommended by Concentric

The key component of the Depreciation Study is the review and assessment of the useful lives of BC Hydro's asset classes. BC Hydro uses the average service lives in conjunction with the asset ages to determine the remaining service life for calculating depreciation in accordance with the Remaining Life Technique, as recommended by Concentric.