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**Additional question following the Emerging Views workshop on 25 June**

**Depreciation of assets backed by Crown financing**

Our emerging view on the calculation of the initial loss asset for Chorus and the LFCs under a building blocks methodology is to subtract the value of the Crown financing from the accumulated cost of UFB assets when applying the rate of return for the relevant year in the loss period. This approach is intended to reflect the actual costs of Crown financing (Summary Paper page 22, Technical Paper para 208).

A question posed for participants in the workshop is whether depreciation should be permitted as a building block component during the loss period with respect to the value of assets which are funded by Crown financing. A related question also arises in respect of the calculation of regulatory depreciation for the period after implementation date, ie, whether depreciation should be permitted in respect of the value of assets which are funded by Crown financing.

In both cases we are interested in views on the appropriateness of the treatment given the purpose of Part 6.

We would appreciate any views on this in written submissions due by 5pm on 16 July 2019.