

1 Q. NLH notes that NP has used the ELG procedure for many years, while NLH has used
2 approaches other than the ELG procedure (e.g., sinking fund, the ASL procedure).
3 Please indicate what, if any, issues have arisen due to the different approaches
4 being used by two different utilities in the same jurisdiction.

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7 A. This response has been provided by Concentric Advisors.

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9 Differing practices among regulated utilities within the same jurisdiction can lead to
10 inequities among customer groups and increased costs from regulatory
11 inefficiencies. For example, Hydro has needed to explain the reasons and
12 background for the differing regulatory practices in a number of regulatory
13 applications, including a significant amount of regulatory burden in the 2012
14 Depreciation Application (which led to the Board Order to undertake a detailed
15 analysis regarding use of group depreciation practices which was completed in the
16 2016 Depreciation Study). Additionally, Hydro has needed to reconcile the
17 comparability of depreciation related issues that would be minimized in the
18 circumstances where the depreciation practices of Hydro and Newfoundland Power
19 were more closely aligned.

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21 Many provincial regulatory agencies have moved to common practices for the
22 regulated utilities that they regulate. For example, most regulated utilities in British
23 Columbia, Manitoba, and Ontario, use the Average Service Life (ASL) procedure,
24 while most of the regulated utilities in Alberta, Nova Scotia, and New Brunswick (for
25 mass property accounts) use the Equal Life Group (ELG) procedure.

1 Regulatory concepts such as generational equity and fairness are impacted by the
2 various depreciation practices followed by regulated utilities. For example, the use
3 of the ELG procedure is widely considered to result in more accurate alignment of
4 the consumption of service value to the depreciation expense component.

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6 Use of common depreciation practices will reduce the confusion among regulators,
7 customers, and intervening parties in regulatory proceedings. Additionally, the
8 ability to benchmark among utilities in the same jurisdictional area is enhanced with
9 the use of common practices.