

1 Q. **Exhibit 11 – Depreciation Study**

2 Page 10 of 628 – Explain in detail why the recommendation is being made at this
3 time to switch to the ELG procedure from the ASL procedure for 2015 and future
4 assets and why it is proposed that there be a phased in process.

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7 A. This response was provided by Concentric Advisors (Concentric).

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9 Concentric notes that the phasing in the transition from the ASL procedure to the
10 ELG procedure reduces the impact on tolls over a larger period of time while still
11 providing better alignment of the more current investment to the consumption of
12 the service value of the investment. Complete implementation at one time can
13 result in a tolling impact that is significant. It is a common depreciation practice to
14 gradually implement large changes in depreciation procedures, average service life
15 estimates and net salvage percentage over a number of depreciation studies. As
16 noted at page I-3 of the Concentric depreciation study report, the proposed ELG
17 implementation is similar to the ELG implementation at Newfoundland Power over
18 the period from 1978 through 1983.

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20 Please also refer to Hydro’s response to PUB-NLH-071.