

- 1 **Q. In terms of Table 3.4 depreciation rates, is it fair to say that the decreased**
2 **depreciation rate applied to distribution assets indicates an increased economic**
3 **useful life (EUL) for those assets and the absence of stranded asset risk?**
4
- 5 A. Yes, the decrease in depreciation rates for distribution plant was primarily due to an
6 increase in the estimated average service lives for the larger distribution plant accounts.
7
- 8 No, the decrease in depreciation rates does not indicate the absence of stranded asset risk.
9 Changes to depreciation rates are based on Gannett Fleming Valuation and Rate
10 Consultants, LLC’s depreciation study based on plant in service as of December 31, 2019
11 (the “2019 Depreciation Study”).¹ Changes at the sub-account level are primarily
12 attributable to changes in 2 depreciation parameters: the average service life of a plant
13 sub-account and the net salvage percent. Both of these parameters reflect the historical
14 experience of Newfoundland Power and future knowledge regarding the assets comprised
15 in each account. In known instances, such as for the replacement of meter and street
16 lighting technology, changes to average service lives are made to reflect the shortened
17 service lives of those assets. Adjustments to depreciation rates are not made for unknown
18 events such as for stranded asset risk, generally. However, it does not mean that the risk
19 does not exist.²

¹ See the 2022/2023 General Rate Application, Volume 3, Expert Evidence, Tab 1, Depreciation Study: Gannett Fleming Valuation and Rate Consultants, LLC.

² For example, see the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.3.2: Risk Assessment for a discussion on the Company’s service territory demographics.