

1 **Reference: Volume 3, 2019 Depreciation Study**
2

3 **Q. Volume 3, 2019 Depreciation Study, page III-7. Provide a table that shows how each**
4 **of the proposed changes in service life estimates impacts the depreciation expense**
5 **proposed in the Application.**
6

7 A. Newfoundland Power’s proposed depreciation expense is calculated at the functional
8 plant category based upon composite depreciation rates in the 2019 Depreciation Study
9 (the “2019 Study”).¹
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11 Changes in depreciation rates at the sub-account level are primarily due to either: (i) a
12 change in the average service life of a plant account or sub-account; or (ii) a change in
13 the net salvage percent. Both of these parameters are estimates based upon historical
14 experience of Newfoundland Power and future expectations and outlook regarding the
15 assets comprised in each account.²
16

17 Table 1 shows depreciation rates by functional plant category for the 2014 Study and the
18 2019 Study, as well as for the 2019 Study calculated using 2014 service lives.

**Table 1:
Comparative Depreciation Rates (%)³**

| Function | Current (2014 Study) | 2019 Study (Proposed) | 2019 Study with 2014 Service Lives |
|-----------------------|-------------------------|--------------------------|---------------------------------------|
| Hydro Production | 2.42 | 2.35 | 2.43 |
| Other Production | 5.31 | 5.51 | 5.86 |
| Substation | 2.94 | 3.10 | 3.03 |
| Transmission | 3.08 | 3.10 | 3.16 |
| Distribution | 3.18 | 3.09 | 3.24 |
| General | | | |
| Computer Hardware | 16.90 | 17.12 | 17.12 |
| Computer Software | 9.05 | 9.44 | 9.44 |
| Transportation | 9.48 | 9.43 | 9.61 |
| Other | 3.26 | 3.17 | 3.28 |
| Composite Rate | 3.38 | 3.37 | 3.47 |

¹ See the 2022/2023 General Rate Application, Volume 3, Expert Evidence, Tab 1, Depreciation Study: Mr. John Wiedmayer, page VI-5.

² See the 2022/2023 General Rate Application, Volume 3, Expert Evidence, Tab 1, Depreciation Study: Mr. John Wiedmayer, Part III. Service Life Considerations.

³ See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.2.3: Depreciation, Table 3-4: Comparative Depreciation Rates, page 3-7.

1 As a result of the 2019 Study, overall average service life estimates increased, resulting in
2 a decrease in depreciation rates. The forecast impact on depreciation expense as a result
3 of the higher service life estimates is a decrease of approximately \$3.3 million in each of
4 2022 and 2023.