

1 **Section 3: Finance/Fair Return**  
2

3 **Q. (Section 3, page 3-6) It is stated “Increases in depreciation expense over the period**  
4 **2022 to 2026 are the result of the Company’s annual capital investment in the**  
5 **electrical system.”**

6 **a) Please confirm that 2026 forecast depreciation expenses are expected to be more**  
7 **than \$16 million greater than 2022 levels, representing a 22.7% increase over the**  
8 **4-year period.**

9 **b) Please provide a table comparing depreciation expense to operating costs, and**  
10 **labour cost, showing dollar amounts and annual percentage changes, over the**  
11 **same period.**

12 **c) Other than limiting future capital expenditures, is there any other way that**  
13 **Newfoundland Power can reduce the increases in its depreciation expenses?**

14  
15 **A. a) Newfoundland Power confirms that 2026 forecast depreciation expense is expected to**  
16 **be approximately \$16 million higher than 2022 actual.**

17  
18 **b) Table 1 provides the requested data.**

**Table 1:**  
**Comparison of Depreciation Expense, Operating Costs and Labour Costs**  
**2022 to 2026F**  
**(\$000s)**

	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Depreciation Expense <sup>1</sup>	70,662	74,869	79,557	83,143	86,691
Change vs. Prior Period (\$)		4,207	4,688	3,586	3,548
Change vs. Prior Period (%)		6.0%	6.3%	4.5%	4.3%
Operating Costs <sup>2</sup>	70,530	72,492	76,838	79,083	81,603
Change vs. Prior Period (\$)		1,962	4,346	2,245	2,520
Change vs. Prior Period (%)		2.8%	6.0%	2.9%	3.2%
Labour Cost <sup>3</sup>	39,037	38,992	40,429	42,079	43,882
Change vs. Prior Period (\$)		(45)	1,437	1,650	1,803
Change vs. Prior Period (%)		-0.1%	3.7%	4.1%	4.3%

<sup>1</sup> See the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3: Finance, page 3-6, Table 3-4.

<sup>2</sup> See the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations, page 2-29, Table 2-3.

<sup>3</sup> See the 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2: Customer Operations, page 2-35, Table 2-9.

1 c) Newfoundland Power’s annual capital budgets reflect the expenditures necessary to  
2 provide customers with access to safe, reliable and environmentally responsible  
3 service at the lowest possible cost.  
4

5 Newfoundland Power’s depreciation expense reflects the methodology and  
6 depreciation rates established through a depreciation study. The Company’s most  
7 recent depreciation study was completed by Gannett Fleming Valuation and Rate  
8 Consultants, LLC, based on plant in service as at December 31, 2019.<sup>4</sup> This  
9 depreciation study was approved by the Board as part of Newfoundland Power’s  
10 *2022/2023 General Rate Application*.<sup>5</sup>  
11

12 Depreciation expense is impacted by changes in parameters included in a depreciation  
13 study, such as the average service life of an asset or the net salvage percent. These  
14 parameters will be reviewed again during the Company’s next depreciation study  
15 which is anticipated to be completed in 2025 based on plant in service as at  
16 December 31, 2024.

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<sup>4</sup> The Gannett Fleming *2019 Depreciation Study* was filed in *Volume 3, Expert Evidence, Tab 1*, as part of the Company’s *2022/2023 General Rate Application*.

<sup>5</sup> See Order No. P.U. 3 (2022), pages 12-13.