

1 Q. What is the net change in depreciation cost for forecast 2004 over final
2 forecast 2002 and what is the net effect for each of Hydro's Customer
3 Classes? Provide a breakdown of the depreciation components affecting or
4 contributing to the net change.

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7 A. The net change in depreciation cost for forecast 2004 over final forecast
8 2002 is an increase of \$2,541,000. The net effect for each of Hydro's
9 customer classes is shown below:

Analysis of Depreciation Expense by Customer (\$ 000) 2002 Test Year versus 2004 Test Year			
Customer	Test Year 2002	2004	Increase (Decrease)
Island Interconnected:			
Newfoundland Power	14,431	16,212	1,782
Island Industrials	3,016	3,193	176
Rural Island Interconnected	8,202	8,480	278
Subtotal Island Interconnected	25,649	27,885	2,236
Isolated Systems	2,827	3,056	229
L'Anse au Loup	374	401	27
Labrador Interconnected	2,540	2,589	50
Total	31,390	33,931	2,541

10 The components affecting the net change are due to additions of new assets
11 as a result of Hydro's Capital Budget for 2003 and 2004. The major items
12 placed in service in those years and depreciation expense is as follows:

1	Granite Canal Project	\$	0.7 million
2			
3	New Microwave system between		
4	East/West coast (2003 Capital Budget)		0.8 million
5			
6	Computer operation equipment in the		
7	2003 and 2004 Capital Budget		0.8 million