

1 **Q. In Order No. P.U. 13 (2013), the Board ordered that NP file a depreciation study for**
 2 **use in its 2016 GRA. Please provide the revenue requirement impact on prior Test**
 3 **Years from 1997 to present as a result of updates to NP's depreciation study. In the**
 4 **response, provide an estimate of the range of revenue requirement variability**
 5 **resulting from completion of a new depreciation study.**

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 7 A. Table 1 shows the Newfoundland Power depreciation expense recovered in customer
 8 rates for the test periods 1999, 2003-2004, 2008, 2010 and 2013-2014.¹
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Table 1
Depreciation Expense
(\$ millions)

Test Period	1999	2003/2004	2008	2010	2013/2014
Depreciation Expense	29.5	29.2/30.6	40.2	43.4	46.6/48.3

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 13 Table 2 shows Newfoundland Power's actual composite depreciation rate requested for
 14 the periods 1997, 1999, 2003-2004, 2008, 2010 and 2013-2014.
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16 The primary cause of increased depreciation expense for Newfoundland Power is capital
 17 expenditures approved by the Board under Section 41 of the *Public Utilities Act*.
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Table 2
Composite Depreciation Rate
(%)

Test Period	1997	1999	2003/2004	2008	2010	2013/2014
Composite Rate	3.46	3.55	3.43/3.44 ²	3.29	3.24	3.27/3.23

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 22 Newfoundland Power's actual composite depreciation rate has been particularly stable
 23 since 2008. It was 3.29% in 2008, 3.24% in 2010, 3.27% in 2013 and 3.23% in 2014.

¹ Newfoundland Power was unable to determine the depreciation expense included in the calculation of rates for the 1997 test year due to data limitations.

² For 2003/2004, the reported composite depreciation rate dropped to approximately 2.9%. The reported change in the composite depreciation rate was due to the deduction of depreciation true-up of \$5.8 million, approved by the Board in Order No. P.U. 19 (2003), from depreciation expense in financial reporting for 2003/2004. The composite depreciation rates in Table 2 does not include the \$5.8 million true-up.

- 1 The stability of Newfoundland Power's composite depreciation rate over the past 3 test
- 2 periods suggests that there should be a limited degree of variability in the composite
- 3 depreciation rate arising from the Company's next depreciation study. The actual results
- 4 will be known once the next depreciation study is complete.