

1 Q. Please explain the increase in depreciation expense for the Island Interconnected System for  
2 2019 in the Compliance filing [\$72.231 million as per Exhibit 14, Schedule 1.1, page 1 of 2 of the  
3 Compliance filing] as compared to Hydro’s October 2018 filing [\$70.939 million as per Schedule  
4 1.1, page 1 of 2, Appendix D, Schedule 1 of October 26, 2018 filing] and provide all relevant  
5 calculations to support the change.

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8 A. The change in depreciation expense noted is primarily a result of updated Holyrood thermal  
9 assets and gas turbine assets included in the 2017 GRA Compliance Application versus the  
10 October 2018 Filing.<sup>1</sup> This update to capital assets is in accordance with the 2017 General Rate  
11 Application Order, Board Order No. P.U. 16(2019).

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13 The October 2018 Filing asset base and depreciation was based on December 2016 actual asset  
14 data with the addition of the capital budget proposals for the period 2017–2019 whereas the  
15 2017 GRA Compliance Application was based on December 2018 actual asset data with the  
16 addition of the capital budget proposals for 2019. This resulted in numerous adjustments due to  
17 a replacement of budget proposals with actual asset additions. Table 1 highlights the major  
18 difference in depreciation expense when comparing the October 2018 Filing with the 2017 GRA  
19 Compliance Application.

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<sup>1</sup> “2018 Cost Deferral and Interim Rates Application,” (Rev. 2) November 14, 2018 (originally filed October 26, 2018), (“October 2018 Filing”)

**Table 1: 2019 Test Year Comparison of Depreciation Expenses (\$)**

2019 Depreciation Expense	2017 GRA Compliance Application Total Amount	October 2018 Filing Total Amount	Variance
<b>Production</b>			
Hydraulic			
Bay d'Espoir	4,702,018	4,570,264	131,754
Upper Salmon	2,981,166	2,999,200	(18,034)
Hinds Lake	1,406,864	1,404,016	2,848
Cat Arm	5,175,996	5,245,882	(69,886)
Paradise River	398,089	401,026	(2,937)
Granite Canal	2,327,485	2,330,922	(3,436)
Exploits	-	-	-
Star Lake	-	-	-
Other Small Hydraulic	93,337	93,337	-
<b>Subtotal Hydraulic</b>	<b>17,084,956</b>	<b>17,044,646</b>	<b>40,310</b>
Holyrood	18,496,844 <sup>2</sup>	17,384,203	1,112,641
Gas Turbines	6,395,283 <sup>3</sup>	6,138,392	256,891
Roddickton	-	-	-
Diesel	128,686	78,727	49,959
<b>Total Production</b>	<b>42,105,769</b>	<b>40,645,968</b>	<b>1,459,801</b>
<b>Transmission</b>			
Lines	10,966,050	11,755,194	(789,144)
Terminal Stations	5,198,866	4,875,006	323,859
Hydraulic	911,021	896,640	14,381
Holyrood	179,644	202,320	(22,675)
Gas Turbine/Diesel	15,459	7,195	8,263
Distribution	343,637	295,957	47,679
<b>Subtotal Terminal Stations</b>	<b>6,648,627</b>	<b>6,277,118</b>	<b>371,508</b>
<b>Total Transmission</b>	<b>17,614,677</b>	<b>18,032,312</b>	<b>(417,635)</b>
<b>Distribution</b>			
Substations	215,062	213,058	2,004
Land and Land Improvements	98,991	84,838	14,153

<sup>2</sup> Reflects changes in assets reflecting 2018 Actuals and updated 2019 Forecast at the Holyrood Thermal Generating Station.

<sup>3</sup> Reflects changes in assets relating to Holyrood Gas Turbine overhauls.

	<b>2017 GRA Compliance Application Total Amount</b>	<b>October 2018 Filing Total Amount</b>	<b>Variance</b>
<b>2019 Depreciation Expense</b>			
Poles	4,252,630	3,821,154	431,476
Primary Conductor and Equipment	341,880	558,165	(216,285)
Submarine Conductor	197,976	197,254	722
Transformers	636,041	632,609	3,433
Secondary Conductor and Equipment	44,289	43,274	1,015
Services	107,288	108,480	(1,192)
Meters	281,406	321,305	(39,899)
Street Lighting	134,637	124,999	9,638
<b>Total Distribution</b>	<b>6,310,200</b>	<b>6,105,135</b>	<b>205,065</b>
<b>Total Production, Transmission, and Distribution</b>	<b>66,030,646</b>	<b>64,783,415</b>	<b>1,247,230</b>
General	5,473,210	5,198,714	274,496
NLSO <sup>4</sup>	48,670	112,138	(63,469)
Feasibility Studies	40,784	40,784	-
Feasibility Studies: General	-	-	-
Software: General	728,119	803,983	(75,864)
<b>Total Depreciation Expenses</b>	<b>72,321,429</b>	<b>70,939,035</b>	<b>1,382,394</b>

<sup>4</sup> Newfoundland and Labrador System Operator (“NLSO”).